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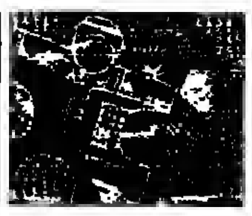

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WORLD NEWS

Orange Order under new pressure to end Drumcree stand-off

Northern Ireland's protestant Orange Order was under pressure last night to end the week-long stand-off between Orangemen and security forces in Drumcree. A leading Orangeman called for the protest to be lifted after the murder of three young brothers, killed in their beds in a sectarian firebomb attack in Ballymoney, County Antrim. Page 16; Tragedy brings hope, Page 6

France win World Cup final
France swept to an unexpected victory in the World Cup final in Paris, beating holders Brazil 3-0, despite having a man sent off. World Cup, Page 12

Cotton dumping duties spark row
Eight European Union states will accuse the European Commission of flouting the will of the majority of EU members by imposing anti-dumping duties on cotton imports from six emerging markets for the second time. Page 3

EU opposes US Burma sanctions
Co-operation between the US and the European Union on foreign policy is being hindered by a Massachusetts law imposing sanctions on companies that do business in Burma, the EU said in a brief filed with the US District Court in Massachusetts. Page 3

Cambridge school for entrepreneurs
Cambridge University is to establish a US-style school of entrepreneurship in a move which signals a sea-change in tha relationship between tha business world and Britain's top universities. Page 6

Biological weapons talks continue
Talks on anti-cheating provisions for an international pact banning biological weapons will not be completed by the end of this year, the target date set by the US and tha European Union. Page 4

Syria seeks partnership with France
Syrian President Hafez al-Assad will seek strategic partnership with France during an official visit to Paris this week, the first by the Syrian leader in 22 years.

Clinton faces battle on vetoes
President Clinton and the Republicans are heading for a spate of veto fights over abortion, schools and other issues that both hope will help them win November's battla for control of Congress. Page 4

US backs Israeli withdrawal terms
The US is attempting to end the deadlock in the Middle East peace process by backing a plan that bows to Israeli reluctance to hand parts of the occupied West Bank to the Palestinians. Page 4; A Cry for Freedom, Page 9

Colombian guerrillas in peace talks
Colombian leftwing guerrillas began talks in Germany with civilian representatives, raising hopes of an initiative to end more than 35 years of armed conflict. Page 4

Habibie drops single-term pledge
Indonesia'a President B. J. Habibie has said he may run for a second term, abandoning a pledge made in May that he would be only a transitional leader. Page 2; Indonesian glasnost, Page 14

Nigeria may postpone civilian rule
General Abdulsalam Abubakar, Nigeria'a military leader, is expected to announce a postponement of the promised October 1 handover to civilian rula in a national broadcast this week. Page 4

Mandela warns South African police
President Nelson Mandela vowed at a funeral to combat "sinister" elements in South Africa's security forces after suggestions the police might be involved in violence which killed 23 people last week.

BUSINESS NEWS

Russia and IMF fail to reach final deal on loan package

Russia's talks with tha International Monetary Fund ended last night without final agreement about a multi-billion dollar support packaga, but Russian officials suggested a deal could be reached soon. A deal with tha World Bank that could lead to release up to $1.5bn appears set. Paga 3; Editorial Comment, Paga 15

Ford Motor is expected to announce today that it is to buy Cosworth Racing, the motor sport division of tha high-performance engine maker Cosworth, following the sale of the whola of Cosworth to Volkswagen by Vickers, the UK engineering group. Page 18

Merrill Lynch, the US securities firm, is understood to be confident it will not have to pay "anywhere near" a reported $300m figure in compensation for losses the Belgian government ran up in a series of high-risk derivatives deals carried out in London between 1989 and 1993. Page 20

Rabobank is to merge with Achmea, a rival Dutch co-operativa institution, creating a strong competitor to the Netherlands' leading financial services groups. As a first stage, Rabobank's Interpolis insurance operation and its Robeco fund management subsidiary will enter a joint venture with Achmea's activities. Paga 17

UK business confidence collapsed to a five-year low in tha aftermath of the decision by the Bank of England last month to raisa interest rates. Dun & Bradstreet, tha business information group, said the number of businesses expecting to increase their sales had dropped from three in four to two out of three in three months. Page 6

Central bank governors from mora than 30 countries at a meeting in Tokyo of the Bank of International Settlements will hear further details today of Japan's "bridga bank" scheme to tackle the country's bad-debt problems. Page 2; Editorial Comment, Page 15

Trade negotiators from the European Union, Japan, the US and Canada have begun consultations on an agenda for the next round of talks toward removing barriers to trade in services. Page 3

Australia's Senate has blocked controversial legislation to privatise the remaining two thirds of Telstra, the telecommunications company, to raise an estimated A$45bn (US$28bn). Page 2

Company takeovers in most of Asia hava dried up while cross-border merger activity continues to surge in the rest of ths world, according to a survey by KPMG Corporate Finance. The value of Asian and Pacific cross-border deals was $18bn for the first half of 1998, more than a third below the $29bn for the period in 1997. Page 17; US eyes Asian storm; Page 15

Gulf smelters Dubai Aluminium and Aluminium Bahrain took advantage of tha fall-off in Asian loan prospects to get unusually fine rates from Gulf end international banks for expansion. Page 21

Applied Materials of the US, largest supplier of semiconductor production equipment, warned of reduced earnings for the current quarter. Page 20

Lex on euro policy
'For now, Duisenberg's bark is likely to be stronger than his bite'

Page 16

Hashimoto likely to resign after election setback

Analysts warn of upheavals in Japanese financial markets

By our Tokyo staff

Ryutaro Hashimoto, Japan's prime minister, will almost certainly resign following a setback for his ruling Liberal Democratic Party in yesterday's npper bouse elections.

Mr Hashimoto, looking haggard in a late night television appearance, said he would make his "intentions known" about his possible resignation at a meeting of LDP executives today.

"The result is due to my lack of ability. I would like to state outright what I have in mind at today's meeting of party leaders," he said.

LDP officials said last night Mr Hashimoto "had no choice" but to step down. Leading candidates to succeed him include Seiroku Kajiyama, former chief cabinet secretary, and Keizo Obuchi, foreign minister.

The election, for half the 252 seats in the upper house, traditionally draws little attention as the chamber has limited powers. But the deterioration of Japan's economy and dissatisfaction among Japanese with government policies turned the contest into a national referendum oo Mr Hashimoto's economic management.

Toward the close of counting at 3am, the LDP had won less than 45 seats – well abort of the 61 seats it held before the election and the 69 needed for a majority. The result was far worse than expected.

Financial analysts warned that Mr Hashimoto's likely resignation and the LDP's defeat in the upper house – although it will not unseat the party from power – could cause upheavals in Japanese stock and currency markets.

Mr Hashimoto's resignation would also throw Japan's foreign policy into disarray. He was scheduled to visit the presidents of France and the US next week. Today, Sergei Kiriyenko, the Russian prime minister, arrives in Tokyo on an official visit.

More significantly, LDP leaders warned the election could affect proposed legislation on ecooomic reforms, includiog Mr Hasbimoto's proposed "bridge bank" scheme to tackle the banking system's bad-debt problems. More than 30 central bank governors, including Alan Greenspan, chairman of the US Federal Reserve, are atteoding a Bank of International Settlements meeting in Tokyo today.

Takashi Imai, chairman of the Keidanren, Japan's largest business federation, said the results "show that the electorate wants further measures to pull tbe country out of the recession".

Analysts predicted a period of turmoil as the LDP struggles to put together a new cabinet. Peter Tasker, strategist at Dresdner Kleinwort Benson, said: "In the short-term there is likely to be confusion as factions in the LDP jockey to select a new prime minister. But in the medium-term, if there is a fresh face, there can be fresh policies.

"It will be easier for the new incumbent to be aggressive in offering tax cuts and injecting new government spending. That should be positive for equities and the yen, but mildly negative for bonds, given that additional spending would have to be funded out of oew debt."

The result is a triumph for the newly-formed Democratic Party. Naoto Kan, party leader, said: "Today tha national voice said 'no' to Hashimoto and the LDP. What became clear is the necessity for the people themselves to cboose the administration." The Democratic Party won 26 seats, the Communist Party more than doubled its represeotation to 14, the Komei party took nine seats, the Liberal Party six and the Social Democrats five, while independents won 20 seats.

The Sakigake, tbe former junior coalition partner with the LDP, failed to win a single seat.

Ryutaro Hashimoto yesterday: 'Result is due to my lack of ability' Reuters

Paris told it could join exchanges alliance

Deutsche Bank chairman says France might have 20% stake

By Andrew Fisher in Würzburg

Rolf Breuer, chairman of Deutsche Bank, sought to soothe French outrage over last week's surprise agreement between the London and Frankfurt stock exchanges to forge a strategic alliance by saying Paris could join in with a significant minority stake.

"This is not a closed shop or a London-Frankfurt axis against Paris or against all the others, but the nucleus of a working party with an open invitation to all who are interested," said Mr Breuer, who also heads the supervisory board of Dentsche Börse, which runs the Frankfurt securities exchanges.

Michael Freyche, head of the French bankers' association, had called the exchange deal "a bad blow for the euro" and an abuse of Frankfurt's position as the centre of the eurozone through its choice as the location for the European Central Bank.

It was wrong for the French to talk of "betrayal", Mr Breuer said. But he could understand they felt injured since they were not among the "founding fathers" of the deal between the UK and German markets aimed at paving the way for a pan-European equities market.

If the French exchange wanted to join the exchange partnership, London and Frankfurt could reduce their planned 50-50 stakes to, say, 40-40, allowing Paris to have 20 per cent. "London and Frankfurt would retain parity."

These were hypothetical figures, he said. The participation level of France and other exchanges would depend on the volume of trading brought in.

The reason the agreement had been worked out between the UK and Germany was that past experience over negotiating bourse alliances had shown the danger of collapse. "Things get talked to pieces, as in the United Nations, and no solution emerges."

Mr Breuer dismissed French suspicions of political motivation in the initial exclusion of France. It was a private business venture in which politics did not play a role. There was no "chain of evil deeds" linking the selection of Frankfurt as the seat of the ECB, the choice of Wim Duisenberg as its president – in line with German wishes – and the Frankfurt-Loodon exchange agreemeot.

Mr Breuer said the agreement was still only a letter of intent, with mnch work to be done on technology, clearing and settlemeot systems, and regulations.

"The devil is in the detail. The real work starts now," be said, adding that it would have beeo impractical for all European bourses to be involved from the start.

The Amsterdam stock exchange wants to be among the first at the tabla once London and Frankfurt open their talks to include other European bourses.

George Möller, president of Amsterdam Exchanges, operator of the Dutch equities and derivatives markets, said to a local press interview at the weekend that be would rather this happened immediately than after about six months, as planned by the German and Britisb sides.

While acknowledging the danger that AEX could lose volume in its biggest stocks, he said he would not seek a deal at all costs.

Deutsche on US trail, Page 17

Internet defamers at risk after court move

By Scott Morrison in Toronto and Louise Kehoe in San Francisco

Individuals who make defamatory remarks on the internet may become more vulnerable to legal action following a Canadian court ruling that forces several internet service providers to reveal the identities of subscribers using pseudonyms.

The Ontario court order was obtained by Philip Services, a Canadian waste recycling company, which has alleged it was defamed in an internet discussion group by individuals using pseudonyms.

The Electronic Frontier Foundation, a US free speech advocacy group, said the court ruling, which came to light last Thursday, was "very disturbing". Barry Steinhardt, EFF president, said it seemed to provide Philip Services with private information. It also threatened the ability of individuals to use pseudonyms on the net.

But David Potts, a Canadian lawyer specialising in internet libel, said the Philip Sarvices decision served notice that people must "act the same way online as off-line".

Mike Godwin, an authority on cyberspace rights, predicted there would be a similar outcoma in a US court should a corporation seek the identity of an internet user alleged to be defaming it.

The ruling could prompt other businesses to launch similar legal actions to identify their online critics, US libel lawyers said.

The case may also have repercussions beyond the jurisdiction of the Canadian court. George Clark, a media and libel lawyer at Reed Smith Shaw and McClay in Washington, said legal decisions involving the internet were watched closely around the world because of the global scope of cyberspace.

Philip Services, a former stock market darling, has recently seen its share price fall by about 80 per cent after suffering trading losses, the departure of key officials and accounting errors that forced it to restate results and reveal big losses.

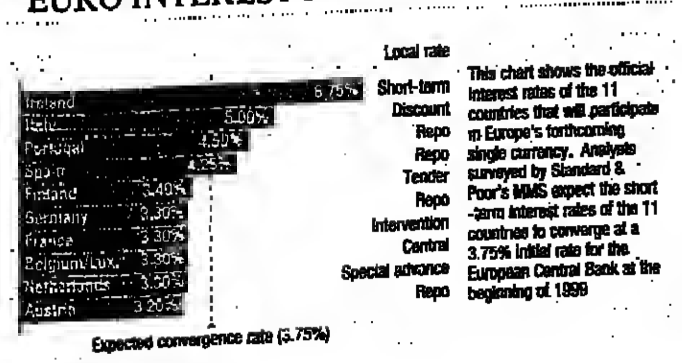
Internet users with pseudonyms, posting messages to a board maintained by Yahoo!,the US online media group, mada allegations about tha company and its executives that the company felt were defamatory.

Tha court order will provide Philip Services with account information as well as all internet messages sent by about 10 individuals.

While individuals can use a pseudonym online, their real names and addresses are known to the service provider for billing purposes.

Philip Services is not alone as a target of self-styled business commentators on the internet. Microsoft is frequently lambasted and Intel has also fallen foul of online critics. Neither company has brought legal action.

EURO INTEREST RATE CONVERGENCE



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WORLD NEWS

BIS to focus on banking reshape

By Gwen Robinson in Tokyo and George Graham, Banking Editor, in London

Japan's efforts to restructure its troubled banking system will come under the international spotlight today, when central bank governors from more than 30 countries attend a Bank of International Settlements meeting in Tokyo.

Japanese officials said they would provide further details of the government's "bridge bank" scheme to tackle bad-debt problems to visiting officials – including Alan Greenspan, chairman of the US Federal Reserve, and Hans Tietmayer, president of the German Bundesbank, who will chair the meeting.

The two central bank chiefs will also meet Masaru Hayami, governor of the Bank of Japan, and Hikaru Matsunaga, Japan's finance minister.

BIS officials are likely to press Japanese authorities to raise minimum capital adequacy ratios for banks above the 8 per cent minimum suggested in BIS guidelines.

Andrew Crockett, BIS general manager, said Japan had been slow to turn its attention to problems in the banking system, although he described the bridge bank scheme as a "good sign".

The BIS meeting will also focus on the Asian financial crisis and Japanese proposals to promote yen-denominated loans to other central banks, mostly in Asia.

Japanese officials said the proposal would help stabilise regional economies, which have seen the decline of local currencies lift the burden of dollar-denominated debt. But analysts said the scheme also reflected Tokyo's growing fears that Europe's move to a single currency would further isolate the yen.

Under the proposal regional central banks could use their holdings of Japanese government bonds as collateral, selling them back to Tokyo under repurchase agreements in exchange for yen loans.

The officials in Tokyo said they hoped to conclude bilateral agreements on the new system with regional central banks, including China and Singapore, within the year.

The meeting will also consider a BIS report on responsas to foreign exchange settlement risks and a proposal to establish an international institution to deal with such risks, to be financed by about 60 international banks.

The BIS has been generally pleased nt the efforts private sector banks have taken in the last two years to tackle foreign exchange settlement risks, but senior central bankers are anxious not to give the impression that the threat has disappeared. However, the BIS is not expected to require banks to bold additional capital as a specific cushion against a disruption to foreign exchange settlements.

Steps to improve internal settlement procedures are expected to be applauded.

Central bankers are especially pleased at the merger of Multinet and Echo, netting systems which reduce settlement risk by offsetting the amounts banks owe asch other, and by the establishmant of CLS Bank, which will provide a global real time settlement system.

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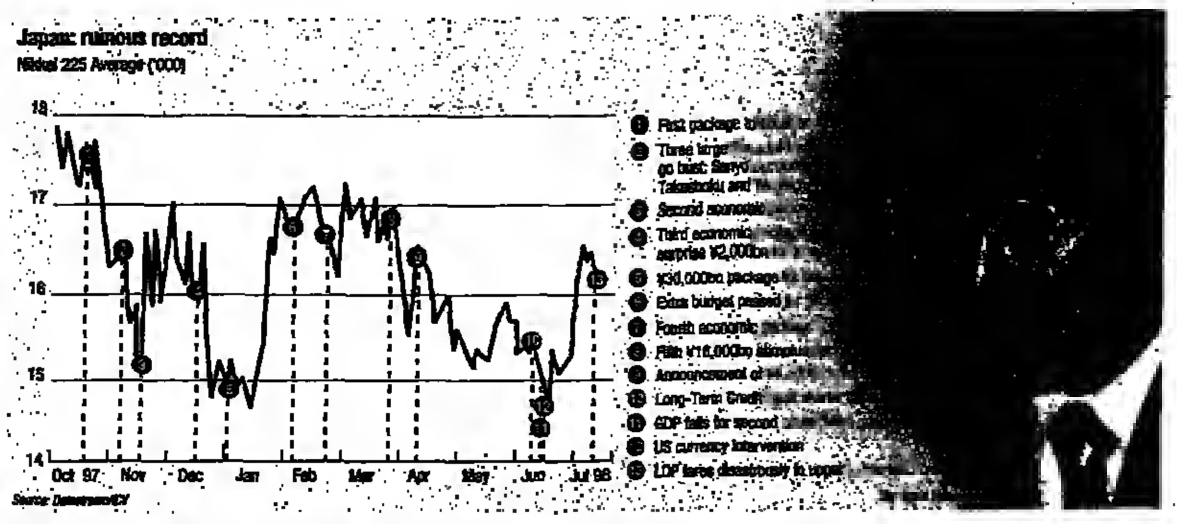
JAPANESE ELECTIONS VOTERS DELIVER A DAMNING INDICTMENT □ HUNT BEGINS FOR PREMIER'S SUCCESSOR

Hashimoto's day of reckoning

By Paul Abrahams, Alexandra Harney and Gwen Robinson in Tokyo



Japanese voters yesterday delivered a devastating indictment of Mr Ryutaro Hashimoto's govarnment, inflicting the worst defeat on the ruling Liberal Democratic party (LDP) since it lost its majority in the upper house nearly a decade ago.

It was less an election than a reckoning – a reckoning that today will probably cost Mr Hashimoto his job.

Outside the Yanaka Elementary School in the Taito district of Tokyo, local residents arriving at the polling booths were unambiguous about the main reason for their dissatisfaction. It was the LDP's failure to manage the economy, which this year is set to contract for the second year running.

"The economy, just the economy, ultimately the economy," said Hiroshi Ogawa, a noodle shop owner who voted for an unaffiliated candidate. "When I worked for a company I backed the LDP. But when I opened my store I started to think about the economy more, and their policies stopped making so much sense."

Mr Hashimoto must take part of the blame for the country's worst recession since the second world war. He contributed to the malaise through his fixation on Japan's rapidly ageing population and the government's huge budget deficit.

Following the economy's apparent recovery in 1996 he decided last year to reduce the deficit through an increase in sales taxes and cuts in government spending. The policy was not in itself wrong-headed, but the timing was disastrous and contributed hugely to the recession.

Having created the crisis Mr Hashimoto compounded the problem through inaction. Through much of last year the LDP refused to change policies, insisting the economy was on track.

When the LDP's denial of Japan's economic realities was finally overwhelmed by consistently bad economic data, the ruling party's response appeared muddied. In fact Mr Hashimoto's cabinet moved at impressive speed – in Japanese terms at least – performing a policy U-turn of epic proportions through the introduction of tax cuts and increased public spending. It also created a system to deal with problem loans in the banking system.

But while such moves were impressive, the way in which the LDP reached the policy changes did the party little credit. The process of policy-making involved contradictory statements and leaks, indicating Mr Hashimoto's party was divided over almost every move. Previously policy had been made by bureaucrats, but corruption scandals in the Ministry of Finance left politicians in charge. What became apparent was they were ill-equipped to fill the void.

The most recent and dramatic example of the LDP's disarray on policy-making came only last week and involved the subject of permanent tax cuts. At a well-publicised meeting before an election rally, Mr Hashimoto managed to utter a sentence involving the words "tax cuts" and "permanent" without actually committing himself to permanent tax cuts.

His prevarication has been blamed for the wild lurches in the yen and the stock market in recent weeks. By yesterday such signs of waakness and indecision had, in the eyes of many voters, wiped out the premier's considerable achievements: his government's "Big Bang" programme of financial deregulation; his bold steps in foreign policy, including strengthening Japan's relations with China and Russia; and his even bolder expansion of Japan's defence co-operation with the US.

Many of Mr Hashimoto's policy initiatives were moves which brought down previous, and lesser, Japanese leaders. But, as Mineko Takahashi, a social worker, said: "It is impossibla for us to remember those sort of things... for ordinary folk we could only see things getting worse."

For Mr Hashimoto, one of the most bitter ironies of yesterday's humiliating defeat was the result of his party's efforts to increase voter turnout by extending voting time by two hours. In the previous upper house election, in 1995, voter turnout was a record low 44 per cent. This time, whether it was the extra time or the unusually mild mid-summer weather, voter turnout was up to about 60 per cent, exceeding all predictions. But they did not come out to vote for the ruling party.

One of the most significant changes in sentiment could be seen in Yamanashi, a former LDP stronghold and for decades a prime beneficiary of generous public works spending and political patronage.

"Yamanashi is very conservative and the LDP is very powerful," said Eisuka Osawa, a retired businessman. "But this time things were different... the economy wasn't doing so well, and it really seemed people wanted change. And there was that problem with Mr Hashimoto's prevarication – especially on things like taxes."

Embattled party faces tough task to fill the void

There are likely to be few takers for the premier's job, writes **Michiyo Nakamoto**

Prime Minister Ryutaro Hashimoto is unlikely to survive beyond midday market trading today. By then Japan's ruling Liberal Democratic party will have begun the search for a new leader.

This will be a tough task for the faction-ridden LDP. Mr Hashimoto survived in large part because there are few takers for his job.

But the LDP will need to act quickly. Failure to do so will lead to policy paralysis, provoking market turmoil.

"The markets may favour the fact that Hashimoto is resigning," says Takayoshi Miyagawa, a political analyst.

"But the LDP will have to act quickly in order not to create a political vacuum."

Filling the void will not be an easy task in the consensus-driven world of Japanese politics and Mr Hashimoto's likely removal will trigger a big power struggla within the party between his few supporters and the more conservative factions that have sought to undermine him.

"The question of my responsibility is something I will decide," said a shattered Mr Hashimoto last night, giving no hint of which way the party would swing. "I will convey my own decision to the executive board, based on the final results."

Keizo Obuchi, foreign minister and leader of the largest faction in the LDP, and Seiroku Kajiyama, who has led the anti-Hashimoto camp in the party, are seen as the most likely candidates to succeed Mr Hashimoto. Yohei Kono, a former LDP executive, is also a front-runner.

Mr Obuchi leads the largest faction in the LDP and, going by the convention of seniority, he would be in line to succeed the premier. However, Mr Obuchi is widely considered to lack the leadership necessary to pull Japan through one of the most troubled periods in its post-war history.

He is also disadvantaged by his support for Mr Hashimoto and the current LDP secretariat. Koichi Kato, secretary-general of the LDP, and Taku Yamasaki, the party'a policy chief, have both indicated they are prepared to resign to take responsibility for the disastrous election.

The names in play: (clockwise from top left) Seiroku Kajiyama, Kiichi Miyazawa, kingmaker Yasuhiro Nakasone, Keizo Obuchi, and Yohei Kono — Associated Press

Minoru Morita, a political analyst, says the LDP needs to send a strong signal to the public that it has reversed policy from one of fiscal stringency to one of expansion, and implement measures to reflate the economy. Mr Kajiyama is seen as an effective candidate to carry such a policy.

However, while he has the support of former prime minister Yasuhiro Nakasone, who is emerging as the LDP kingmaker, he does not have a strong following within the party. He has also made provocative statements about financial issues, such as raising the discount rete to help pensioners – a move that would have a devastating effect on much of Japan'a heavily indebted corporate sector.

LDP leaders may decide, though, to bring back one of its old guard – Mr Nakasone, Kiichi Miyazawa or Noboru Takeshita.

Whatever the outcome, yesterday'a humiliating defeat in elections for the largely ceremonial upper house will have negative consequences for policy formation at a time when Japan has an urgent need to implement legislation to deal with its ailing economy.

Even before yesterday's defeat the LDP depended on alliances in the upper house; oow it will seek them even more desperately. And while tha LDP holds a majority in the more powerful lower house, there will doubtless be strong calls for general elections (the party is not obliged to hold such elections before autumn 2000).

"The party will have to call for general elections early to secure the support of the public," said Minoru Morita, a political analyst.

In the short term the markets are likely to remain unsettled until a new prime minister is installed. He – the LDP remains unreconstructed with no serious female contenders – would have a freer hand to reverse laws mandating the government to cut the budget deficit and therefore adopt more expansionary fiscal policies.

INDONESIAN REFORM NEW PRESIDENT TELLS FOREIGN JOURNALISTS OF HIS 'MISSION IMPOSSIBLE'

Habibie raises prospect of second term

By Sander Thoenes in Jakarta

Indonesia's President B.J. Habibie has said he may run for a second term, abandoning a pledge made after he assumed office in May that he would be only a transitional leader.

In an interview at the weekend with foreign journalists he said his main concern was accomplishing a "mission impossible" of pushing through political reforms and reviving tha economy. One reform be planned would be a two-term limit on an elected president.

"If my term is over next year, December, theoretically I still have one term I have to do," he said. "It depends on the people."

The president's comments coincided with the election of Akbar Tandjung, his protégé and atate secretary, as chairman of Indonesia's ruling party, Golkar.

Mr Tanjung's victory over a retired general who is thought to have favoured impeaching Mr Habibie leaves the new president secure in parliament, backed by the powerful military and tolerated by opposition leaders who thought he would not last more than a few weeks after taking over in May from former president Suharto.

"The most ready government to restore our economy is tha Habibie government," said Susilo Bambang Yudhoyono, chief of socio-political affairs in the military.

Mr Habibie's political reforms – he has freed political prisoners, allowed workers to form unions and has set the timetable for what he promises will be democratic alections – have also earned him acceptance from the outside world, who used to dismiss him as a lackey of Mr Suharto.

His biggest supporters have been in the International Monetary Fund, due to release a $1bn tranche of credits for Indonesia on Wednesday, and the World Bank, which released $1bn earlier this month.

Washington has given a mora cautious nod of approval but Japan, Germany and others have sung his praise.

"We're going to change," the president said. "Nice eh?"

Mr Habibie demonstrated his increasing confidence and appetite for office by announcing at the weekend the creation of an independent committee to investigate the kidnapping of dozens of political activists, the shooting of four student protesters and tha organised riots and rapes in May that spiralled into city-wide mayhem in Jakarta.

The independent committee poses a challenge to the powerful military, whose own investigation into the events has been undermined by a widespread belief that soldiers were among the culprits.

"It shouldn't be the military investigating the military," said Dewi Fortuna Anwar, the president's press secretary.

The president has not gained much support from the Chinese minority, which controls most of the economy

But Mr Habibia has not gained much support from the country's Chinese minority, which controls more than two-thirds of the economy and which bore the brunt of the economic vandalism that hit Jakarta as Suharto lost his grip on power.

The president, openly critical of the Chinese in the past, has promised not to discriminate but also stacked his cabinet with four ministers known to be anti-Chinese.

Mr Habibie also said he backed decentralisation of power and government revenues as a way to appease restless regions in the archipelago. But he said Indonesia would remain a unitary state rather than become a federation.

An electoral law, being drafted, would mix district and proportional elections to improve links between voters and thair representatives. Mr Habibia earlier offered limited autonomy to East Timor, which was annexed by Indonesia in 1976, but at the weekend he said the territory's "special status" would match the symbolic powers enjoyed by the country's capital and two other regions.

NEWS DIGEST

AUSTRALIAN SENATE

Setback for Howard as Telstra sale blocked

The upper house of Australia's parliament blocked at the weekend controversial legislation to privatise the remaining two-thirds of Telstra, the telecommunications company. The Senate's vote against the A$45bn (US$28bn) privatisation dealt a fresh political blow to John Howard, the prime minister, who proposed the legislation as part of his strategy for an early election. A third of Telstra was privatised earlier this year.

The government said it would only proclaim the legislation after winning the next election and would use most of the proceeds of the sale to retire public debt. But Mr Howard has also been trying to woo voters with promises of a "social bonus" from the proceeds, particularly in rural areas where Pauline Hanson, an extremist politician, has made strong gains.

Mr Howard is expected to resubmit the bill to the Senate, but must first win the support of two independent senators. The government earlier this month pushed through amendments which watered down land rights legislation, after the Senate twice rejected the bill. **Our International Staff**

HUMAN RIGHTS

China detains dissidents

China yesterday continued to hold five of nine dissidents detained at the weekend for trying to set up an opposition party while US President Bill Clinton was visiting the country last month. The Information Centre of Human Rights and Democratic Movement in China, a Hong Kong-based human rights group, said the dissidents had been datained in the central city of Hangzhou for attempting to register the "Chinese Democracy Party" during Mr Clinton's tour of China. Beijing does not allow opposition parties.

The detentions are likely to provide ammunition for critics of Mr Clinton's policy of engaging China and may cast a different light on tha concessions Beijing granted the US president in allowing his blunt comments on human rights to be broadcast live. **James Kynge, Beijing**

KOSOVO CONFLICT

Serbian forces suffer losses

Serbian security forces suffered further casualties at the weekend in clashes with ethnic Albanian separatists, despite diplomatic efforts to bring about a ceasefire in tha disputed province of Kosovo. Government officials said two policemen were killed in attacks on checkpoints along a strategic road running parallel with the border between Kosovo and Albania. Rebels of the Kosovo Liberation Army (KLA) have to cross the road to smuggla in weapons and fresh recruits.

Serbia's interior ministry says more than 30 policemen have been killed in Kosovo since Belgrada launched its crackdown on the KLA in February.

About 300 ethnic Albanians, many of them civilians, have also died in the conflict. Pro-independence Kosovo Albanians claim to have inflicted heavy casualties on Yugoslav army units. Serbian journalists believa the government is trying to conceal losses in tha army because of the growing number of young conscripts who are deserting or refusing to do military service. **Guy Dinmore, Belgrade**

E-COMMERCE SOFTWARE

UK and Germany head demand

Germany and the UK will by 2002 account for 43 per cent of the European market for software which enables on-lina stores to conduct business electronically, according to a London-based market research company.

Datamonitor predicts that spending on e-commerce software in Europe will increase at an average annual rate of 41 per cent over the next four years, to reach $285m in 2002. The increasing use of e-commerce will be one of the principal engines of economic growth over the next 10 years.

The company says software already represents 11 per cent of the total investment made in e-commerce, but that further software investment will be required if companies are to exploit e-commerce to the full. Site maintenance accounts for more than a third of the cost of running an e-commerce site. **Paul Taylor**

GENERAL MOTORS

Strike talks still at impasse

Talks aimed at settling the strikes that have crippled production at General Motors, tha largest US carmaker, continued over the weekend – with little prospect of an early settlement. Richard Shoemaker, who has led the negotiations for tha United Auto Workers, said the two sides were still some distance apart.

There had been speculation that GM would seek urgently to resolve the strikes to enable production to resume after the traditional two-week summer shutdown – due to end today. However, even if an agreement was struck it would need to be ratified by UAW members, making an immediate production restart unlikely. The strikes have already cost GM $1.18bn in the second quarter, and analysts estimate the daily toll will be $50m-$75m. **Nikki Tait, Chicago**

HORN OF AFRICA

Ethiopia deports Eritreans

Ethiopia has deported 1,000 Eritreans who Addis Ababa said were a threat to state security, inflaming tensions in the border dispute between the two Horn of Africa countries. The expulsions came as Isayas Afewerki, Eritrean president, told a television station that he was ready for a televised debate with his Ethiopian counterpart, Meles Zenawi, on the conflict.

Some 1,045 Eritreans, including members of the Eritrean People's Liberation Front, tha governing party in Eritrea, were deported last month. Some of them were accused of spying for Eritrea. Eritrea has deported 4,400 Ethiopians since the outbreak of the conflict in May. **Reuters, Addis Ababa**

TEHRAN TRIAL

Mayor claims his innocence

The mayor of Tehran, on trial for embezzlement, told a court at the weekend that he was innocent and had always acted in the best interests of the city. Gholamhossein Karbaschi, a powerful supporter of moderate President Mohammad Khatami, defended his nine-year tenure at the head of the Iranian capital and argued he had sought no personal advantage from his position.

The charges against Mr Karbaschi include embezzling more than IR14.5bn ($4.8m), receiving bribes, mishandling public property and improper conduct of government transactions. A verdict is expected within two weeks. If convicted, the mayor could face a long jail term, a big fine and a ban from government positions. **Reuters, Tehran**

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MOSCOW TALKS FORMAL AGREEMENT EXPECTED SOON

Russia and IMF fall short of final deal

By John Thornhill in Moscow

The Russian government'e talks with the International Monetary Fund ended last night without clinching a final agreement about a multi-billion dollar financial support package.

But in en upbeat statement, the government said the two sides had agreed "about all the main questions of principle" and would announce today what steps needed to be taken next.

Officials suggested e formal agreement with the IMF could be reached very soon. A related deal with tha World Bank, which could lead to the release of up to $1.5bn, already appears to have been agreed.

Nevertheless, the news is bound to disappoint Russia's financial markets, which had been led to believe by government statements that an IMF-led agreement could be concluded by yesterday. Political uncertainty in Japan is also likely to buffet world financial markets today.

Sergei Kiriyenko, prime minister, yesterday held extensive talks with John Odling-Smee, head of the

Kiriyenko: extensive talks with IMF European department head

IMF'e European department, in an attempt to finalise a deal after two weeks of negotiations. The Russian government is seeking additional support from the IMF to bolster the central bank's reserves.

Earlier, Russian officials said the talks had entered their final stage and could be concluded yesterday. Senior ministers, including Anatoly Chubais, Russia's chief negotiator, talked thoughout the weekend with International Monetary Fund and World Bank officials.

Mr Kiriyenko was last night expected to fly to Tokyo to secure bilateral assistance of up to $1.5bn from the Japanese government. But his plans were left in doubt after the electoral setback for Japan's Liberal Democratic party threatened Ryutaro Hashimoto'a position as prime minister.

On Friday, President Boris Yeltsin called several foreign leaders to enlist their support for additional financial aid for Russia. After talking to Mr Yeltsin, Mr Hashimoto said he would back the Russian government'e implementation of its anti-crisis programme.

"I expect the government led by the president steadfastly to undertake domestic reform," he said.

Russian officials have been aiming to put together a financial support package of up to $20bn from the IMF, World Bank, the Group of Seven leading industrial countries, and commercial banks.

Russia's lower house of parliament will this week debate the government'e anti-crisis programme.

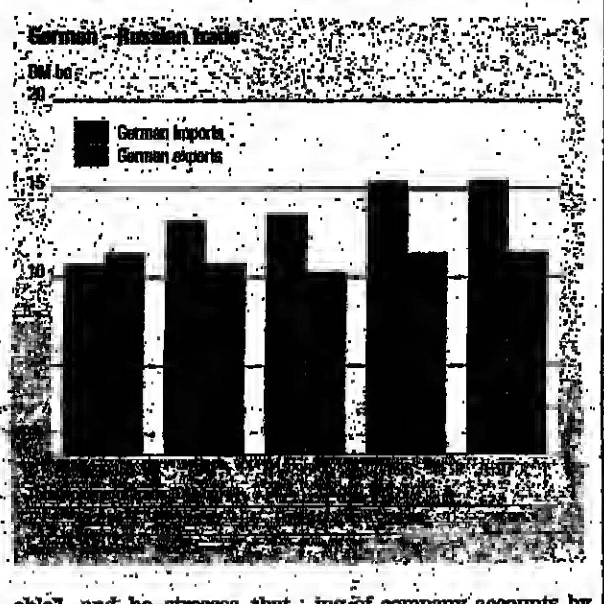
Editorial comment, Page 15

Russia's troubles fuel fears of German business community

Nightmare tales of contacts with Germany's biggest trading partner underlie the anxieties, writes **Frederick Stüdemann**

As the latest bout of rumours from Moscow pushed the D-Mark down against the dollar, the diagnosis from the markets seemed clear: when Russia, or its president, catches a cold, Germany sneezes.

At first glance this link seems understandable. Germany has long been Russia's biggest trading partner and is today also its biggest creditor. Politically, both sides have traditionally placed e premium on good bilateral relations, often to the concern – and sometimes at the expense – of those central and eastern European countries which lie between them.



On closer inspection, however, things are not so clear-cut. Trade with Russia has been growing steadily in recent years, rising by over 20 per cent in 1997 according to Deutsche Bank, Germany's biggest bank, which claims to handle around one-third of trade transactions.

But although trade between Germany and Russie totalled DM26.9hn ($14.3bn) last year, Russia still accounts for only a small fraction of Germany's total trade. Exports to Russia are only 1.9 per cent of total German exports or less than 0.5 per cent of GDP.

Thomas Mayer, chief economist at Goldman Sachs, says that on this basis "all exports would have to be stopped for there to be an effect" on the German economy. He says Germany's financial exposure to Russia is more worrying as it is equivalent to roughly 18 per cent of the capital of German banks or one year's profits.

Germany accounted for $30.5bn, or 59 per cent, of Russia'e total exposure to western banks of $72.2bn at the end of 1997, according to the Bank of International Settlements. Exposure of German banks to Russia is roughly double that to Indonesia, Thailand, Malaysia, South Korea and the Philippines together.

"I do not see a catastrophe if exports go down. But the [financial] exposure is very strong and that could be problematical," eays Mr Mayer. But even then the problem would be "manageable", and he stresses that one would have to make several assumptions before directly linking problems Russia may have paying its debts to a drop in the D-Mark.

This does not, however, detract from the palpable mood of gloom which has descended on commercial relations between Germany and Russia.

The fears are not so much centred around trade, which still focuses on export of raw materials from Russia and import of finished goods from Germany. "This relationship has not really changed in the last 20 years," says one Moscow-based German banker. What has changed, be says, are the numbers which have got bigger "even in a time when everyone thought the whole place [Russia] was falling apart. It is astonishing."

The problem is more the perceived risk of actually doing business in Russia. Nightmare anecdotes of strong-arm tactics by regional governments or criminals are a recurrent topic of discussion among Germans in Moscow.

Particular favourites include the tale of e German company which "lost control" of its joint venture when its Russian partner emerged as the dominant shareholder after a clandestine capital increase. Other examples involve the freezing of company accounts by zealous tax officials. In such cases resorting to the courts is a drawn-out, uncertain and costly process.

Worries about the legal and tax framework are not limited to German companies. But Germans are often more likely to be put off. "The Germans think more strategically and more long-term. For that they want everything to be in order before they start. It's different with the US companies who are prepared to get in and out quickly," says a German consultant in Moscow. Whether such fears will lead to a drop in direct investment by German companies is unclear. The economics ministry in Bonn says recently revised statistics actually show a rise in direct investment from DM149m in 1996 to DM218m in 1997.

Nevertheless, German investment in Russia still trails that of other western countries, and the German husiness community in Moscow says there is now a greater mood of caution.

This is particularly true for the *Mittelstand*, the small and medium-sized company eector, which lacks the financial punch and lobbying power of big groups, such as Siemens, Daimler Benz or Ruhrgas. "For the medium-sized companies the time is simply not right yet. The risks are too big," says e German diplomat.

EU in Burma law protest

By Nancy Dunne in Washington

Co-operation between the US and the European Union on foreign policy is being hindered by a Massachusetts law imposing sanctions on companies that do business in Burma, the EU said in e brief filed with the US District Court in Massachusetts.

The EU opinion is in support of a case brought against the Massachusetts law by the National Foreign Trade Council, representing US exporters. The EU said it was also concerned that the proliferation of state and local sanctions would "greatly increase the difficulties that the EU has encountered in dealing with the US on policies towards third countries".

The so-called "selective purchasing" law, adopted in 1996, denies most state contracts to companies doing business in Burma.

"The ... law entails secondary boycott provisions targeted not at the regime in Burma, but at nationals of third countries," the brief says. Its "adverse effects" have become one of the leading issues as the EU and US talk about Burma, focusing the governmants on the bilateral conflict instead of how to deal with the regime.

The EU has held consultations with the US in the WTO over the law, arguing that the US is not honouring its commitments under the WTO's government procurement agreement. Massachusetts lawmakers have been negotiating a compromise. But Byron Rushing, the legislator who introduced the Burma law, has said he will not support the compromise if the EU files a brief in opposition to the state.

The brief says the EU is determined to put direct pressure on Burma.

EU row over cotton dumping duties

By Neil Buckley in Brussels

Eight European Union states will today eccuse the European Commission of flouting the will of the majority of EU members by imposing controversial anti-dumping dnties on cotton imports from six countries for the second time.

Doug Henderson, UK European affairs minister, will issue a protest over the EU's moet contentious anti-dumping case, signed by Austria, Denmark, Finland, Germany, Ireiand, tha Netherlands, Sweden and the UK, at a foreign ministers' meeting.

The statement will say that the Commission, the EU'e Brussels-based executive, made a "regrettabla decision" by imposing provisional, six-month, duties in March on unbleached cotton cloth from China, Egypt, Indie, Indonesia, Pakistan and Turkey.

It will warn that the move could have "doubtful consequences" for parts of the EU's textile industry.

Italy is expected to launch a counter-declaration, possibly backed by France and Spain, supporting the Commission's action.

But the statement from a majority of the 15 EU states is an embarrassment for the Commission, whose anti-dumping unit produced a detailed report justifying the measures, and for Sir Leon Britten, commissioner responsible for the unit.

"The Commission is twisting in the wind over this one," said one EU diplomat.

The declaration is being made now as the Commission is expected to issue proposals today or tomorrow to turn the duties into definitive, five-year measures. Under EU lew, that step – unlike imposition of six-month measures – requires a positive vote from ministers.

Eight states have signed a statement to be issued at today's foreign ministers' meeting protesting at Brussels' 'regrettable decision'

Attempting to defuse the controversy, the Commission will propose seeking minimum price undertakings from cotton producers in the six countries, instead of punitive duties. But opponents say price undertakings from such a large number of producers would be unworkeble and unenforceable.

Brussels has investigated three consecutive complaints from Eurocoton, the EU textile lobby, of dumping by the cotton exporters.

Eurocoton says below-cost imports of unbleached cotton – raw material for a vast range of textiles products – threaten thousands of jobs in Europe'e weaving industry. But the dying and finishing industries say raising the cost of their raw material would cost many more jobs in their sectors.

The Commission rejected the first compleint, but imposed provisional duties after e second investigation last year.

Ministers voted against making those measures definitive, despite a personal intervention by French President Jacques Chirac, who promised during France'e general election to protect textiles jobs.

A third investigetion opened last summer, and the Commission reimposed provisional measures in March – although only five member states supported the move in an EU advisory committee, with one abstention and nine voting against.

The six countries depend heavily on the cotton trade, and some have hinted at World Trade Organisation action if definitive duties are imposed.

QUAD GROUP NEGOTIATORS FROM US, EU, JAPAN AND CANADA BEGIN ROUND OF TALKS

New drive to liberalise services trade

By Edward Alden in Toronto

Negotiators from the European Union, the US, Japan and Canada have begun consultations on the next round of international negotiations to remove barriers to trade in services.

In a meeting in Ottawa last week, representatives of the four – the Quad group – agreed to further meetings in the autumn aimed at finding a consensus on how the next round of talks in the World Trade Organisation should proceed.

WTO countries are committed to beginning new services negotiations hy 2000, and the four are seeking broad areas of agreement to help them persuade developing countries to adopt an ambitious agenda.

An EU official said there was e "pretty high degree of overlap" among the goals, though each has yet to decide fully on its own priorities.

The 1993 Uruguay Round agreement brought service industries under multilateral trading rules for the first time, and further agreements were subsequently concluded in financial services and telecommunications.

But those agreements in most cases did little more than commit countries not to erect further trade barriers. The US and EU ran into sharp disagreements over the inclusion of entertainment industries and maritime services, while most developing countries made only minimal commitments.

"There was very little liberalisation in the firet round," said Claude Barfield, an economist at the American Enterprise Institute. "At the moment you've got a standstill, but now there'e a need to actually liberalise."

While the US private sector is generally pleased with the last round of service negotiations, "we have a very hard time telling what the commitments are," said a US negotiator.

Both the US and EU are considering whether the structure of the agreement should be changed from a so-called positive list, under which only those measures specifically listed are liberalised, to a negative list which would liberalise everything not specifically exempted. That negative model was followed in the 1992 North American Free Trade Agreement, which went much further than the Uruguay Round in liberalising services trade.

Negotiators will also have to decide whether to proceed sector-hy-sector, as in the financial services and telecommunications egreements, or try to put together a broad deal covering all the main areas.

Participants in the meeting said there was general consensus that the negotiations should be as broad as possible.

The Quad group is also considering new areas for inclusion in the next round, such as air cargo and other transport services, courier services, electrical and water distribution, and electronic commerce.

MIDDLE EAST PEACE PROCESS WASHINGTON ASKS PALESTINIANS TO ACCEPT WATERED-DOWN PLAN

US backs Israeli withdrawal terms

By Judy Dempsey and Mark Huband in Jerusalem

The US is attempting to end the deadlock in the Middle East peace process by backing a plan that bows to Israeli reluctance to hand parts of the occupied West Bank to the Palestinians.

Washington is pressing the Palestinians to accept a plan under which Israel would hand over only 9 per cent of the West Bank to their control.

If the Palestinians agree, they will control 30 cantons in the West Bank, separated from each other by by-pass roads for the Jewish settlers and cut off from Jerusalem and the Gaza Strip.

The proposals, drawn up by Israel and foisted upon the US, amount to a watered-down version of an earlier Washington plan. That plan, never officially publicised, suggested Israel hand over 13 per cent of the West Bank to the Palestinians in the delayed second troop pullback.

Madeleine Albright, US secretary of state, believed it was a workable compromise, capable of bridging the gap between Israeli and Palestinian expectations. Israel claimed, for security reasons, it could not hand over more than 9 per cent of land while the Palestinians originally expected getting around 30 per cent in the troop pullback.

Less than 3 per cent, or Area A of the West Bank, is under full Palestinian control. Some 26 per per cent, Area B, is under Palestinian civilian administration but Israeli military control. The rest, Area C, is under the military control of Israel, which also controls all building activities.

Yassir Arafat, Palestinian Authority president, accepted Washington's 13 per cent package, but no less. "We are not prepared to accept 9 per cent," said Saeb Erekat, Palestinian chief negotiator who last week held talks in Washington with Mrs Albright.

The US intends to "dress up" the new package by arguing that the amount of land being handed over to the Palestinians does not deviate from Washington's original proposals.

In practice, Israel will hand over 9 per cent of land, but the other 4 per cent would be given a new status – "Area D". It will include land located close to the Jewish settlements in the West Bank in which Israel will have full military authority and control over certain civilian areas. "We will never get this land," said Mr Erekat.

Mrs Albright, in the meantime, has called on Israelis and Palestinians to hold face-to-face talks. Talks were cut off in March 1997 when Israel started building a new Jewish settlement at Har Homa in east Jerusalem. "The US wants to be in the position of blaming either side if the peace process collapses," said Mr Erekat.

A Cry for Freedom, Page 9

Nigeria set to put off return to civilian rule

By Michael Holman

General Abdulsalam Abubakar, Nigeria's military leader, is expected to announce a postponement of the promised October 1 handover to civilian rule in a national broadcast early this week, officials close to the regime said last night.

The decision is likely to prompt an angry response from the regime's opponents, led by the National Democratic Coalition (Nadeco), which at the weekend called on the military to hand over power to a transition government.

"The best thing is for them [the military] to go and since they chose for themselves October 1, 1998, we are saying the military should go on that day and hand over the governance of this country to. . . the government of national unity," Abraham Adesanya, chairman of Nadeco, said in a newspaper interview.

He proposed that it would rule for four to five years and set up a new electoral commission that would call for the creation of new political parties. "It is a transition government. But it is a transition managed by civilians, not military," he added.

Military officials last night said that the proposal was "unrealistic", adding that they expected Gen Abubakar would win backing from the US, Britain and the Commonwealth for a six-month extension to the handover date originally set by Gen Sani Abacha, the military leader who died last month.

Tension in the country eased over the weekend when Chief Moshood Abiola, detained winner of the aborted 1993 presidential elections, was buried without incident at his Lagos home after a post mortem found that he had died of natural causes.

His sudden death last Tuesday in the middle of negotiations with a team of US officials to agree terms for his release sparked rioting in which an estimated 60 people died.

The violence was largely confined to Lagos and Ibadan, Abiola's political strongholds, where feelings were running high.

The post mortem performed at the family's request by experts from Britain, the US and Canada showed Abiola died as a result of long-standing heart disease.

"After a detailed review of the observations of witnesses present at the time of death, we believe that poisoning is extremely unlikely," the team said.

However, they said it was beyond the scope of its investigation to answer the question – raised by many of Abiola's sympathisers and family – of whether he would have died if he had received adequate medical care in detention.

"We believe that these concerns are understandable and deserve further consideration," they said.

Supporters of Chief Abiola said that his prison diary, extracts of which were published yesterday, detailed abusive treatment by guards, health problems and boredom during four years of solitary confinement.

Students pray and sing at Abiola's graveside at his Lagos home yesterday. The detained opposition leader died from natural causes, international pathologists said Associated Press

Clinton faces battle on vetoes

President Bill Clinton and the Republicans are heading for a spate of veto fights over abortion, schools and other issues that both hope will help them win November's battle for control of Congress, AP reports from Washington.

The House of Representatives returns this week from its July 4 recess to join the Senate, which came back a week ago. With perhaps 40 voting days left this year, Clinton administration veto threats have been made or are expected against about 40 bills. Many are aimed at minor legislation, and few vetoes will actually occur. Most of the bills will be modified or will not be sent to the president. But with each party looking to rouse its voters, neither will flinch from a few high-profile veto battles.

Senate minority leader Tom Daschle, a Democrat, called veto fights "a win for Democrats" and said: "The president is in a much stronger position to frame the issues than Republicans are. He has the bigger soapbox."

The duelling begins on Wednesday, when the House plans a vote on whether to override Mr Clinton's June 23 veto of legislation imposing mandatory sanctions on countries or companies selling missile technology to Iran. The president said the measure would hinder his efforts to improve relations with Iran.

With few lawmakers eager to be seen as supporting the longtime US enemy, the House and Senate seem certain to get the two-thirds majorities needed to overturn the veto.

The following week, the House probably will reverse Mr Clinton's October veto of legislation banning a rarely used late-term abortion procedure that its opponents call "partial-birth abortion". But a vote by the more moderate Senate is likely to fall short.

A fight looms over another Clinton veto, a bill providing 2,000 District of Columbia children with vouchers worth up to $3,200 so they can attend private schools.

Other possible veto fights include bills providing fees due to the United Nations, which Mr Clinton wants to pass but without restrictions the bill includes on overseas family planning aid; trimming taxes on savings used for private school costs; limiting the Pentagon's flexibility for closing military bases; and banning future export to China of US satellite technology.

Because of provisions that Mr Clinton opposes, the administration also is threatening vetoes against several of the 13 annual spending bills for the fiscal year beginning October 1.

Colombian guerrillas in peace talks

By Adam Thomson in Bogotá

Colombian leftwing guerrillas yesterday began talks in Germany with civilian representatives, raising hopes of an initiative to end more than 35 years of armed conflict.

The second largest of Colombia's rebel groups, the National Liberation Army (ELN), met 42 representatives of Colombian society, including members of labour unions, the private sector and the clergy, in Mainz to discuss a framework for an eventual peace negotiation.

The talks, which continue today and tomorrow, are the first concrete sign in recent years that the rebel group is willing to lay the foundations for future peace negotiations.

Last Thursday, Andres Pastrana, the president-elect, announced that he had met leaders of the Revolutionary Armed Forces of Colombia (Farc), the oldest and largest of the guerrilla armies.

"In the meeting, I expressed. . . the determination of the government which I will lead as of August 7 to find the appropriate paths for building a lasting and stable peace," he said after the talks.

Mr Pastrana said he would comply with Farc demands to de-militarise five municipalities as one of the conditions for peace talks to start. And he said negotiations with Farc would begin within 90 days of his government taking office.

Colombians see the two parallel initiatives as the most promising peace development in years. The various guerrilla groups – the region's oldest – have grown stronger recently, with a series of military successes against the army. The escalating conflict has claimed thousands of lives and is estimated to cost the country at least two percentage points in gross domestic product growth every year.

Many observers now expect Mr Pastrana to hold a period of dialogue with the leftwing groups. Before winning the presidential elections on June 21, Mr Pastrana pledged to conduct talks personally with the guerrillas and seek a lasting peace.

The period of improved relations follows four years of failed peace attempts by the departing government of President Ernesto Samper.

A number of corruption scandals – including the alleged flow of $6m of drugs money to Mr Samper's 1994 presidential campaign – left the government weak and without a firm basis on which to negotiate. As a result, guerrillas rejected Mr Samper's offers of peace talks, arguing that his administration was illegitimate.

Yet in spite of the renewed optimism, peace is likely to remain a long-term project. The moves by the guerrillas are promising but there many thorny issues to discuss. High on the agenda will be political and agrarian reform, as well as the country's energy policy, particularly with regard to the role of foreign oil companies.

Speaking about the Mainz meeting with the ELN, Luis Augusto Castro, the Colombian Catholic Church's delegate, said: "It is an initial meeting in which many people are going to take part. It is difficult to reach grand conclusions, but it is a first step and that is positive."

Talks on germ warfare checks to miss target

By Frances Williams in Geneva

Talks on anti-cheating provisions for an international pact banning biological weapons will not be completed by the end of this year, the target date set by the US and the European Union.

Progress had been "very slow" on the core issues of checking compliance, including the regime for on-site inspections, said Tibor Toth, the Hungarian official, who chairs the talks, after three weeks of negotiations in Geneva.

"We need more time. Serious negotiations do require time," he said, noting that the 250 pages of the draft verification pact contained 3,000 points of disagreement. The 50-odd countries taking part are to reconvene in September.

The 1972 biological weapons convention, which outlaws the development, production and stockpiling of bacteriological weapons and toxins, has no provisions to detect and deter cheating, unlike later treaties on chemical weapons and nuclear testing.

Talks on a verification protocol began in 1995 with the aim of concluding before the 140 members of the convention hold a review conference in 2001. However, the US and EU, backed by others, wanted to complete the negotiations by the end of 1998 so that the protocol could be adopted early in 1999. Britain has offered London as the venue for the signing ceremony.

The US defence department believes that more than 10 nations have, or are developing, biological weapons, though only Iraq and Russia, both treaty members, have admitted doing so in the past. Both deny accusations that their programmes still exist.

Possession of biological weapons, such as anthrax, botulinum toxin and bubonic plague, is particularly difficult to check because they can be made and stored in tiny quantities which can nevertheless kill large numbers of people.

As a result, checking compliance will almost certainly have to involve intrusive on-site inspections, of commercial biotechnology laboratories as well as government facilities, which has raised fears about protecting unrelated business and military secrets.

Mr Toth said that almost every aspect of the inspection regime was being argued over, including what type of inspections should be allowed, how different types of inspection should be triggered, what facilities should be covered and how the actual inspections should be managed.

INTERNATIONAL CORPORATE GOVERNANCE

Conference fails to agree global code for business standards

By Roger Taylor in San Francisco

The international body that seeks to improve standards of business management worldwide last week failed to agree on a statement of global corporate governance principles. Its meeting highlighted the huge difficulties in generating codes of business practices applicable across national borders.

The third annual meeting of the International Corporate Governance Network, held in San Francisco, accepted only a skeleton version of the statement as an "exposure draft" to be circulated to members for further comment.

The conference struggled to agree on even the most innocuous of statements. It rejected a clause calling on companies to "endeavour to outperform their global peers over the long term" after a delegate from France wondered if it was appropriate or fair to set such demanding standards.

Some speakers attacked the proposed statement of principles for being overly influenced by US thinking and said it failed to take adequate consideration of international differences, such as the system in Europe of having an executive management board separate from the board of directors.

There was also concern at the proliferation of bodies issuing statements of principles on corporate governance around the world. In particular, some delegates suggested the ICGN should work with the Organisation for Economic Co-operation and Development which earlier this year issued its own report on global principles of corporate governance, instead of drawing up its own separate statement. The agreed draft statement contained seven principles covering broad areas of consensus from disclosure of information and equal treatment of shareholders to protecting the environment.

Despite the limited progress, conference organisers regarded the event as a success. George Kim Johnson of the Colorado Public Employees Retirement Association, and one of the governors of the ICGN, said: "At this stage we are interested as much in intangibles such as dialogue and awareness as in tangible results."

He said he was particularly pleased with the broad international representation with a significantly greater attendance from Europe and Asia. Several Japanese companies including Mitsubishi, Sony and Osaka Gas were present, as was a large delegation from Korea.

The conference struggled to agree even innocuous statements

Linda Tsao Yang, US ambassador to the Asian Development Bank, told the conference that much of the current economic difficulties in Asia could be viewed as a failure of corporate governance.

Tadao Suzuki from the Corporate Governance Committee of Japan presented the committee's statement of principles, completed in May, which is now being considered for inclusion in Japanese stock market listing requirements.

Masayoshi Morimoto, a vice-president of Sony, said his company's radical re-organisation of its corporate governance had separated its management board from its board of directors which now included three outside directors.

Philippe Jaffré, chairman and chief executive of Elf, the formerly state-owned French oil company, prefaced his remarks to the conference with the observation that "listening to a former French civil servant speaking about corporate governance must seem as strange. . . as listening to a former member of the Russian Politburo speaking on democracy." But he went on to say that French investors and managers were "starting to believe", albeit reluctantly, in the need for corporate governance based on the principles of shareholder value.

The conference did agree on a statement on global share voting principles calling on companies to make it easier for international investors to vote on company resolutions. The statement calls for companies to provide adequate notice of votes and to supply translations of meeting agendas. Also, voting should be made as easy as possible with fax and e-mail facilities being offered where possible. Lobbying by the ICGN and its members on this issue has produced tangible benefits recently, with developments in Australia and some European Countries.

Last month Australia introduced a new law requiring companies to give at least 28 days notice of company votes and ensuring that investors can register proxy votes by fax.

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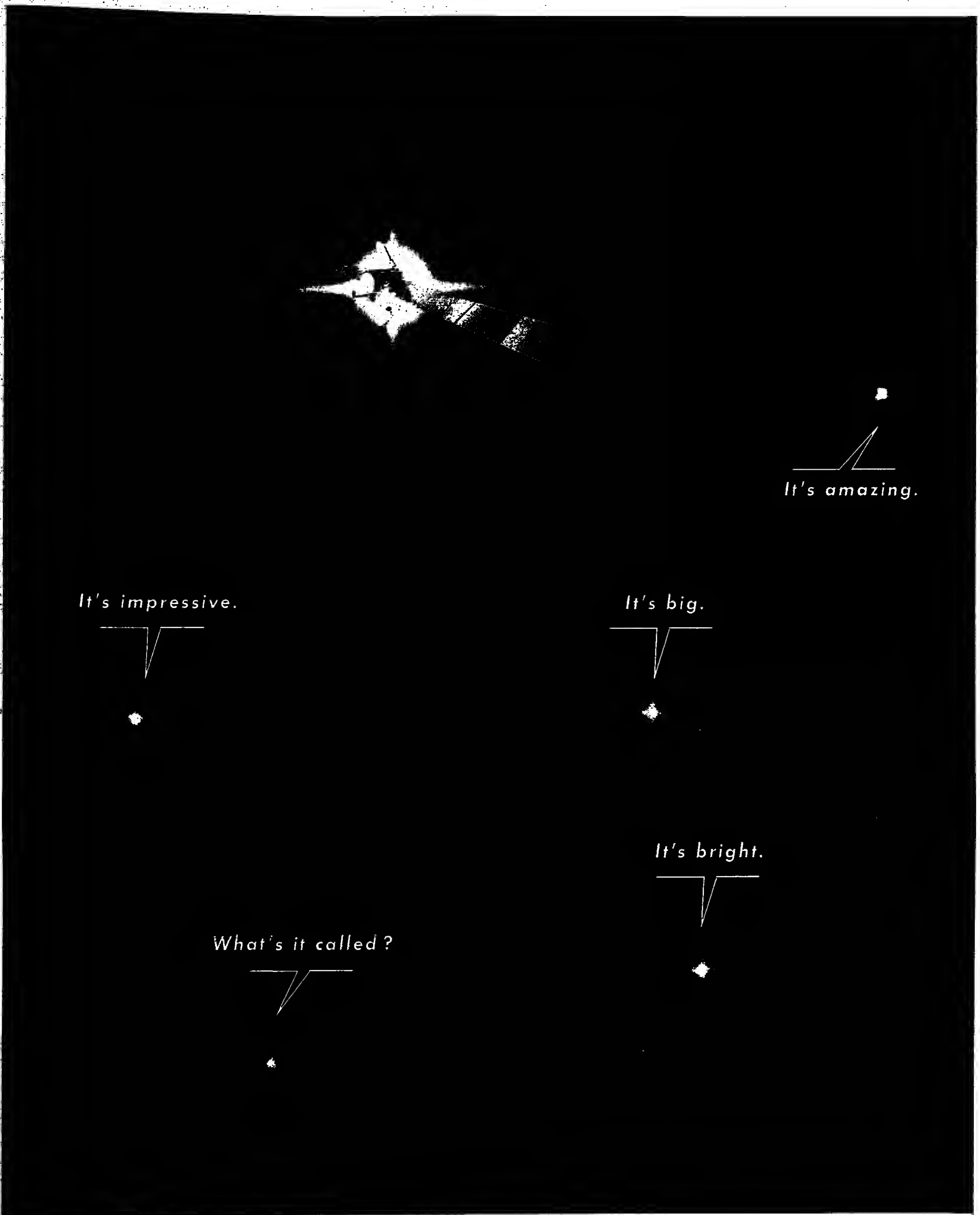
It's amazing.
It's impressive.
It's big.
It's bright.
What's it called ?

SPENDING REVIEW SCHOOLS AND HOSPITALS WIN 4% INCREASE BUT SQUEEZE ON PUBLIC SECTOR PAY REMAINS

Health and education set for funding boost

By Robert Peston and Nicholas Timmins in London

Gordon Brown, chancellor of the excbequer, is set to announce higher-than-expected average spending increases for health and education. He will also reinforce a squeeze oo public sector pay increases.

Mr Brown will announce health and education spending rises of 4 per cent a year in real terms from 1999 to 2002. There will be a mixed reaction among doctors, nurses and teachers to his announcement on Tuesday of departmentsl spending limits from next year until the election, *following his* comprehensive review of expenditure priorities.

They are expected to welcome the relatively generous settlements for schools and hospitals. However, they will be alarmed Mr Brown is forcing pay review bodies, which set the pay of 1.8m public sector workers, to take on "extra responsihilities" for ensuring awards are consistent with the government's 2.5 per cent inflation target *and spending controls.*

The British Medical Association, the doctors' group, said the new remit could compromise the review bodies' independence. "If this is a new constraint, we will wholly and vigorously oppose it," James Johnson, chairman of the BMA's consultants committee, said.

Tony Blair, the prime minister, has insisted the new money must be "linked to results" and not just provide a generalised increase in health spending.

The state health service's room for manoeuvre will be constrained hy a significant sum being earmarked for specific tasks, such as improving IT, cutting waiting lists, refurbishing hospitals and providing airline-styla booking systems for operations.

A 4 per cent real terms increase in health spending compares with about 3 per cent a year on average over 18 years of Conservative government and 2.5 per cent over its last administration. Since coming to power, Labour *has* held down spending increases to little more than 3 per cent annually.

Education spending rose hy just over 1.6 per cent, adjusting for inflation, over the last administration and has fallen as a share of gross domestic product since the election – down to 4.7 per cent from 4.9 per cent in spite of Labour's pledge to increase it.

Meanwhile, a government member said it would be written into review bodies' terms of reference that pay increases should be consistent with hitting the official inflation target. Awards *should also be affordable* under the three-year spending limits and should not conflict with the government's primary "targets for output and efficiency", such as reducing class sizes.

Mr Brown hopes the reforms will "strengthen the pay review system", but they will be criticised hy trade unions and possibly resisted by review bodies.

Tragedy raises hope of end to N Ireland stand-off

There are signs that the Protestant Orange Order is rethinking its stance, say **John Murray Brown** and **Robert Wright**

With every atrocity in Northern Ireland, the bereaved express the hope that their personal loss will somebow bring tbe regioo to its senses. It was the same yesterday.

But as news sunk in of the tragic fate of the three young boys in Ballymoney – burnt to death in tbeir beds in a sectarian firebomh attack – tbe first signs emerged that the Protestant Orange Order may be reconsidering its position.

William Bingham, a Presbyterian minister and deputy grand-cbaplain of the order, said: "The 15-minute walk down the Garvaghy Road hy the Orange Order will be a very hollow victory in the shadow of the three coffins of cbildreo who wouldn't even know what tbe Orange Order is."

He called oo the order to "back off" and urged Orangemen "not to allow these colours that we wear so proudly to be hrought into the gutter like a political football used hy others for an agenda that is not of Orangeism".

Mr Bingham, who voted against the Good Friday agreement, was a key figure in defusing last year's marching crisis and his move was *greeted with relief* hy David Trimble, who has had a troubled first two weeks as Northern Ireland's first minister.

The Rev Bingham was ooe of the four-man delegatioo to talk to Tony Blair, the UK prime minister, last week. His intervention is the first sign that moderate Orangemen are prepared to break ranks with those at Drumcree.

Much will depsnd oo wbether others will follow. The County Down lodge yesterday called off its "freedom camp" which has been in place outside Hillshorough Castle, the official resideoce of Mo Mowlam, chief Northern Ireland minister in the UK government. There are reports that lodges in Fermanagh and Tyrone – in the west of the region – have refused to join the protest.

David Jones, spokesman for the Portadown Lodge, said Mr Bingham was entitled to his views, hut added: "I would not really think what he has said is going to have much influence here."

Willie Fraser, a member of the Marketbill district Orange Order, said if Portadown Orange Order decided to defy a call from the leadership to abandon the protest, it would have the support of local districts. He added there was widespread grassroots anger against Rev Bingham's sermoo. "Mr Bingham came out with that statement in church. That was not the place to make that statement."

If Mr Bingham has no influence over the Portadown brethren, Mr Trimble would appear to have even less – despite Drumcree being in his constituency.

The worry for him is that a continued protest will become a vehicle for unioo-ists who oppose the power-sharing arrangemeots he will head with Seamus Mallon, deputy leader of the moderate nationalist SDLP.

"Let's not get enthused ahout this peace process – about this political process – Northern Ireland at the momeot still hasn't got peace," said Mr Jooes.

The grassroots response to the latest developments was more confused. At the Drumcree church yesterday elderly men with bowler bats were arriving for the morning service, while across the fields the army chaplain was officiating for the encamped soldiers.

A gaggle of protestors shouted abuse across ths barbed wire to the soldiers – calling them "fenians" – a derogatory term usually reserved for Catholics.

One woman, describing herself as a "proper loyalist", complained: "We'll have it on the breakfast, dinner and teatime news and I'm sick of it. What about all our children that the IRA killed."

But another protester – a prison officer from Moira – was anxious to suggest hers was not the universal view, although he was in no mood to give up the protest.

Police guard the Ballymoney house where three Catholic children died in an arson attack yesterday AP

Companies report drop in confidence

By Robert Chote, Economics Editor

Business confidsnce collapsed to a five-year low in the wake of the Bank of England's unexpected decision to raise interest rates last month, according to a survey by Dun & Bradstreet, the businesa information *group.*

The number of businesses expecting to increase sales has dropped from three-quarters to two-thirds in the space of a single quarter, according to Dun & Bradstreet. This is the higgest slide since 1993.

The survey of 1,400 finance and managing directors was carried out between June 10 and June 26, shortly after the Bank's monetary policy committee raised interest rates to 7.5 per cent.

The survey provides further evidence that the slowdown in the economy is spreading from the manufacturing sector – which has seen its competitiveness in international markets squeezed hy the strong pound – to more sheltered parts of the economy.

"For the first time in some years, the survey has shown a severe drop in confidence among the service, retail and wholesale sectors," says Philip Mellor, D&B's senior analyst. "As more and more firms expect further increases in interest rates, so business gloom has spread from exporters into the domestic economy."

Confidence has fallen in all sectors. Expectations of profits increases are at their lowest since 1993 and of order book increases at their lowest since 1992. Confidence in export prospects is unchanged, at its lowest since the survey began 10 years ago.

Oxford Economic Forecasting argues in its latest Economic Prospects publication that business investment growth is set to *fall from* 8 per cent in 1997 to 5.5 per cent this year and less than 1 per cent in 1999. "Even so, our forecast implies that the company sector financial deficit continues to widen, threatening a sharper slowdown if firms react to rising interest rates by seeking to reduce their debt."

It expects base rates to rise hy a further quarter point, sufficient to slow growth from 2.3 per cent this year to 1.7 per cent in 1999 and to keep inflation near the government's 2.5 per cent target. If rates rise by more, the economy faces a hard landing.

Cambridge to establish US-style school for business

By Simon Targett and Brian Groom in London

Cambridge University is to establish a US-style school of entrepreneurship, signalling a change in the relationship between business and Britain's "ivy league" universities.

The school, designed to underpin Cambridge's creation of a belt of high-tech industries, could spawn a generation of self-made millionaire scientists who set up companies rather than go into university research.

It will be the UK's answer to the sntrepreneurship academy at the Massachusetts Institute of Technology and is likely to be a central feature of a planned science complex hailed as Cambridge'a "MIT by the M11 [ths regioo's main motorway]".

The school, still in its conceptual phase, emerged from work by the Cambridge Network, a group of academics and business leaders mapping out a "2020 vision" for the region.

The network concluded in a report that whils Cambridge had "generated plenty of ideas with market potential", it *had been* "weak, particularly in the last 20 years, in creating ths balance between innovative brilliance and entrepreneurial talent".

Cambridgs has only recently established a management school, after years of ambivalence about business as an academic discipline. But the university has embraced the business community since the appointment of Sir Alec Broers, a former IBM executive, as vice-chancellor two years ago.

Hermann Hauser, the millionaire founder of Acorn, the home computer pioneer, is instrumental in the planning process and says the central idea is to make British scientists more entrepreneurial.

INSIDE TRACK

PROFILE BOBBY GODSELL, CHIEF EXECUTIVE OF ANGLOGOLD

Comrade Bobby: a man respected by his workers

Victor Mallet meets the boss who cut thousands of jobs in South Africa, without serious labour unrest, as he reshaped the world's largest gold mining company

One of the slogans shouted by South African miners at a recent "gold summit" in Johannesburg to discuss mass redundancies and the low gold price was "Viva comrade Bobby!" It is unusual at the best of times for bosses to be welcomed in such a way, but what makes it remarkable was that Bobby Godsell's company has been as guilty as any of laying off tens of thousands of miners.

As chief executive of Anglogold, the world's largest gold mining company created from the various gold interests of the Anglo American conglomerate, Mr Godsell has been at the forefront of a drive to transform the South African gold industry.

With the advent of democracy in 1994 and increased competition from Australian and North American gold companies, the deep South African mines that were once the engines of the apartheid economy were exposed as inefficient and old-fashioned. For decades, white bosses had ordered around thousands of ill-educated migrant workers in mines with appalling safety records – and still made handsome profits for shareholders. But as the gold price fell and militant black mineworkers emerged as a force against apartheid in the 1980s, Mr Godsell, who was Anglo's chief labour negotiator, realised that the days of the old system were numbered.

He embarked on a wholesale reform of Anglo's gold division after taking charge in 1996, consolidating the mines into a single company called Anglogold, which was listed last month in Johannesburg, London, Brussels and Paris. (American Depository Receipts are expected to be listed on the main board of the New York Stock Exchange in August).

Mr Godsell also slashed the workforce – by nearly half in the past five years to 85,000, without serious labour unrest – and is in the throes of transforming the sclerotic business culture of the company's management. That he seems to have retained the respect of both trade unionists and managers is a tribute to his negotiating skills and his boundless enthusiasm.

He introduced international accounting methods, so that he could compare the performance of his mines with those of his foreign rivals. He set targets for profits and costs (cash operating costs have quickly fallen to $250 per ounce of gold from more than $300) because he was appalled that "there was no sense of panic" among managers whose mines were losing money.

"Because of very high margins, the South African gold industry had become more of an engineering project than a business. It was about moving ground, it was about producing gold, consuming electricity and employing people," he says.

"Go to the average South African gold mine manager five years ago, ask him how much rock he moved, how much gold he produced, ask him about the grade and he will have these numbers in his head. Ask him about the profit or the dividend and he won't have them. That's the difference between a business and an engineering project. So we said: 'Guys, we don't care if we're the biggest gold miner in the world. We want to be the most profitable.'"

Mr Godsell meant exactly what he said. Anglogold plans to improve profitability this year by mining high-grade ore and leaving behind the rest, reducing its gold output by 17 per cent, to about 150 tonnes.

But the most difficult task for Anglogold – and for Gold Fields, the rival group which has consolidated the gold mines of Gencor and Gold Fields of South Africa in pursuit of profits – is to change the traditional mindset of lifelong managers and miners.

Mr Godsell and his executive team have introduced a system of bonuses, which they want to apply to all staff from top to bottom. "We would like bonuses to constitute around a third of total package and ideally more than that," he says. The company also has a share-incentive scheme for executives, which cannot yet be spread to all employees because of the South African tax laws.

Equally important are the changes to the company's shape. Mr Godsell is reducing the pyramid of shafts, mines, regional

'Because of very high margins, the South African gold industry had become more of an engineering project than a business'

head offices and a corporate headquarters to a two-tier structure composed of the head office and the 10 gold-producing shafts – which he calls "factories".

"We came to the view that the factory was the shaft and that it didn't help to agglomerate shaft results at any level except the bottom line," he says. "We are taking out the intervening structures of management and administration. This year, we will save R250m ($40m) of expenditure and we'll have a business that in organisational terms is relatively simple."

The culture shock caused by these reforms in the 100-year-old South African gold mining industry cannot be under-estimated. Most of the mines have new, vernacular names that white executives at Anglogold's head office in Johannesburg struggle to pronounce. So Freegold 1 becomes Bambanani ("Together We Direct Our Future"), and Freegold 2 is Tshepong ("Place of Hope").

With the reorganisation of the mines, rugby teams and safety competitions have had to be rearranged. Some white miners loyal to the old names are grumbling, but Mr Godsell is unrepentant. "We've destroyed the identities of the old mines," he says.

The purpose of the restructuring is not just to motivate employees but also to attract investors who have long given South African gold mining companies a lower rating than their foreign competitors. Instead of the old choice between a lumbering mining finance house and a single mine, investors are being offered a focused gold group with substantial South African output and international ambitions. Anglogold is active throughout Africa, anxious to buy the overseas gold interests of its sister company Minorco and keen to exploit its expertise in deep-level mining in new markets.

Mr Godsell's one regret is that he has not yet been able to convert enough South Africans – or foreign fund managers – to his own optimistic views of the future of the gold industry and the country as a whole.

"Africa is not a rational idea in most fund managers' minds," he says. "It's an emotive thing, a Joseph Conrad thing, a mess and a disaster and a horrible place. That is refined in some people to absolutely explicit racism. There are quite a lot of fund managers around the world who think blacks can't run companies or economies.

"It's absolutely imperative that all South Africans come to a common understanding that it's possible to be profoundly South African and globally competitive. These are not mutually exclusive."

Essential guide to Bobby Godsell

When the South African government announced recently that Tito Mboweni, the leftwing labour minister, would be the next governor of the Reserve Bank, most white-led South African business organisations – privately horrified – issued studiously polite public statements of support.

Not so Bobby Godsell. As the rand plunged in response to the news, the man who spent 22 years managing industrial relations at the Anglo American conglomerate sent Mr Mboweni a scribbled note warmly congratulating him on the new job and discussing the nature of global economic competition. The gesture was much appreciated.

It was typical of the 45-year-old Mr Godsell. Although he has been a company man all his working life, his easy-going manner and infectious optimism about the new, post-apartheid South Africa contrast starkly with the stiffness of some of the older generation of white businessmen.

He engaged in liberal politics in his youth and saw black trade unions exercise their muscle in the run-up to democratic majority rule in 1994. Industrial relations, he believes, are a good training ground for chief executives.

"Labour negotiations are a hell of a good school for business skills because – for you to succeed – both parties have got to walk away happy," he says.

Although he has transformed Anglo American's gold mines, Mr Godsell shies away from personal publicity. "I don't subscribe to the heroic entrepreneur figure," he says.

LUCY KELLAWAY

The Next Big Thing is just too big for some

The latest management idea promoting employee feedback at all levels seems a bit slow to take off – especially in the boardroom

If you want to know how well someone is doing at their job you could ask their boss. But if you do, you will only get part of the answer. If you want a fuller picture you should ask their equals and their underlings as well.

This blindingly obvious observation dawned on personnel departments a few years ago. They did what they normally do, which was to give the idea a silly name – 360 degree feedback – and go to lots of seminars on the subject. For a while it seemed that 360 degree feedback was the Next Big Thing, that in a twinkling of an eye it would, like quality management, be practised by every half-way decent company everywhere.

It is therefore a surprise that the idea seems to have been a bit slow to take off. According to Pilat, a consultancy that specialises in 360 degree feedback (only it calls it the even more dreadful name: multi-source assessment) the idea is still being used only by 25 per cent of UK companies. Admittedly a larger number are considering it, but given the lemming-like way that companies usually adopt new management ideas this seems a little half-hearted.

Even more surprising is the fact that only two of the 235 companies surveyed are using their "multi-source assessment" to help them set pay levels. This seems a waste. Putting in these 360 degree appraisal systems is not easy, involving specially designed forms with scores of questions on each, and carefully trained "facilitators" who are supposed to be good at breaking the bad news that your staff hate you. So you might think the information gained so painstakingly would be used where it counts: in setting pay.

What is the reason for this? Could it be that the very notion of an underling commenting on the performance of a superior is still seen as too subversive; too dangerous? Never mind all the talk about equality and empowerment, it seems that British bosses are not yet ready to be told by people lower down the ladder what they really think of them.

The most disturbing finding of all is that the companies that do use 360 degree feedback tend not to use it at the top. While they cheerfully subject their middle managers to this sort of thing, less than half of them apply it at board level.

Funny, that. The rule of thumb is that all new management initiatives need to be espoused at the very top to have any chance of being accepted lower down the organisation. This seems to be an exception. I can't imagine why.

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Hands up anyone who thinks that London Business School is a business school. All of you can go straight to the bottom of the class. No: according to the explanatory "Notes to Editors" that appears at the bottom of its latest press release, the LBS is an "international gateway for business and management learning".

The international gateway has been excelling itself of late. A kind reader – a senior manager in a well known company – has passed on to me a letter that the international gateway has just sent him. The purpose of the letter was to sell yet another leadership course.

At least *I* call it a course, the LBS refers to it as an "exciting initiative".

I sympathise with anyone who has to write letters to executives to convince them to part with lots of money to go on a course. But the covering letter that goes with the Dynamics of Strategy takes some beating. It drools over our "deeply skilful strategic leaders", and insists that success is not a matter of slogans but of insight, which is "not static, but recognises how the inter-relationship between events can carve out a promising path into the future".

It goes on about "business architecture", and concludes: "You will learn how to map out your strategic resources and competences, together with the inter-relationships, so that you can form new insights into their development over time."

Cost: £2,900 for 30 hours of learning.

Maybe I'm just getting sour and cynical. Maybe it is time to go on a course called "Chicken Soup for the Woman's Soul" which promises to warm my heart and lift my spirits. "Sometimes, it's necessary to celebrate how good you really are, to remind yourself how wonderful it is simply to be you," says the publicity material.

I asked a colleague, a no-nonsense Scot, if he ever felt he needed reminding of how wonderful it was to be him. He said that every time he felt that way a pint of beer at the local pub usually sorted him out. And at a fraction of the cost.

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But then he's a bloke and blokes are different. Anyone who fondly believes otherwise should look at the brochure of The Activity Superstore which offers off-beat corporate entertaining. And what do the (male) managers really like to do with their shareholders' money? They like to go on a day course called Big Jets and Bi-Planes. Failing that what they like is getting into a Chieftain tank, crushing cars. Enjoy, guys.

lucy.kellaway@FT.com

BUSINESS TRAVEL AIRLINE CONNECTIONS

En route to double trouble

Two flights may be cheaper than one, but is it worth it? asks **Amon Cohen**

I recently extolled on these pages the virtues nf flying indirectly. Not only, I wrote, is it frequently cheaper to take twn flights instead of one, but the journey time from door to door can also he quicker.

Unfortunately, I fnrgot that double the number of flights means dnuble the opportunity for delays, as I discovered on a recent trip. My flight from Lnndon Heathrow took off 45 minutes late, and with a transfer time of only 40 minutes I missed my onward connection. The next cnnnection from the transfer airport was not until the same time the *following day, causing me* to lose 24 hours of my jnurney.

Harassed airport staff say in private that the minimum transfer time between flights should be one hour. Yet at Amsterdam it is 40 minutes for intra-European cnnnections and 50 minutes for all others, while Lufthansa recently lowered its minimum at Frankfurt and Munich from 40 to 35 minutes.

This is in spite of wnrsening congestion at leading airports, putting more connecting passengers at risk. At Heathrow, for instance, 23 per cent of all flights in 1997 departed more than 15 minntes late, while the figure for scheduled traffic from Gatwick was 31 per cent.

"*Forty minutes may* seem a long time but it can take 35 minutes to get across a terminal," says Piotr Sawko, a London-based management consultant who makes frequent indirect trips to eastern Europe.

And airlines do not always handle botched connections well, as Mr Sawkn fnund recently when his British Airways flight from Heathrow *to Frankfurt developed* a fault. On board, Mr Sawkn realised he was going to miss a connection to Kraknw with LOT Polish Airlines. Cabin crew recommended *he* try for an alternative flight via Warsaw hut tnnk twn hnurs to let him nff. When he was released there was nn escort tn take him to the cnnnectinns desk, despite having only 15 minutes tn reach the gate. After a frantic sprint, he reached the gate with seconds to spare, only to be told that there were no availshle seats on the Warsaw flight after all. BA has apnlogised to Mr Sawkn, reimbursed his taxi fares and nffered him £250 in flight vouchers.

The airline's cnnnections *manager Annie Barber says* BA has intrnduced an improved system for helping delayed passengers at Heathrow, where it handles 18,000 *transfers* daily. *BA's* minimums at Heathrow vary from 60-90 minutes fnr transfers between terminals, hut within Terminal One or Terminal Four, it is 45 minutes.

Late-running BA passengers with a chance of making their connectinn are put intn what is known as "service protection". They are identified on the connectinns department's computer and are either escorted nn foot to their onward flight or whisked nff hy bus. Those whn will certainly miss their connections go into "service recovery", wherehy a BA representative meets their incnming flight and helps them rearrange their schedule.

BA also has some latitude in hnlding departures fnr late-cnnnecting passengers. "We will try to delay the aircraft if, say, it is to a destinatinn we serve only three times per week," says Ms Barber.

Ms Barber adds that 95 per cent nf service protection *passengers make their* connections, while 90 per cent of service recovery passengers are re-routed successfully.

Harry Hohmeister, network planning vice-president at Lufthansa, claims that 99 per cent of his airline's transferring passengers make their connections. It also escnrts late travellers and, where possihle, positions flights with a high percentage of connecting passengers in close proximity.

Despite the best efforts of airlines, business travel agents advise their clients to allow leeway for transfers. "If things are looking tight, we always tell customers to take an earlier flight, especially if they might get stuck nvernight," *says Dennis Hart, director of* Sihbald Travel in Edinhurgh.

Mike Bor, managing director at World Travel for Business, says that if passengers miss their connections, airline connection staff are generally expert st rescheduling itineraries.

On the run: your flight is just minutes away, if you're fast enough

How to stay connected

- Take an earlier first leg than the tightest itinerary allows.
- Don't accept an itinerary *with s connection time the* same as the transfer airport's statutory minimum connection time.
- Transfer through smaller airports where air traffic control delays are fewer and there is less distance to walk.
- Expect to transfer from/to more remote parts of the airport if your flight is from/to s minor business destination.
- Carry hand-luggage only.
- *If possible, fly both legs* with tha same airline.
- Fly first or business class – they are more likely to hold the aircraft for you.
- Carry s flight guide in case you have to rearrange your schedule.
- Fly direct

TRAVEL UPDATE

London hotel prices drop as demand declines

Business travellers are at last being offered better *hotel prices* in London. For the past three years, unprecedented demand for rooms has meant prices have been high.

But demand is slowing amid the Asian economic crisis – in particular, there has been less business from *Japan;* the pound has been strong; there is s perception that London is expensive and that the UK is on the brink of a recession.

For the first time in years, London hoteliers are concerned about the future. "The first two weeks *of* August are looking a little *quiet,"* admits the trendy London Metropolitan hotel on Park Lane.

"Our occupancy is not as high as last year and I'm hearing of demand dropping *off from* other hotels too," says David Black, director of *Corporate Business Travel* at Marriott Hotels, which has 950 rooms across London. "Plus a lot of new hotels are opening so that will dilute business too."

Olivia Hetherington, manager of the four-star Bailey's Hotel, concurs: "It's *a little bit tougher* than last year. We're doing more deals now and giving more rooms at a lower rate than we would normally do. It's a *bit of a bargain."*

However, the Edwardian Hotels group is suffering from fewer tourists rather than a decline in business visitors. "The leisure market is a lot weaker than we anticipated but the *corporate market is holding up so far,"* says Herinder Singh, director of marketing.

After the Gulf war, hoteliers were keen to recoup their losses. Prices have increased by as much as 100 per cent, especially at de luxe hotels. "Availability [of rooms] has been zero for years," says Tony Hughes, *managing* director of P&O Business Travel. "It's the two- to *four-star hotels where we're* seeing the softening of demand and rates. It's good news for the business traveller."

Samantha Ross, strategic planning analyst at The Travel Company, says it is *the top hotels that are* suffering most, as they have raised rates by 10 per cent this year: "I know some five-star hotels which have pushed through substantial reductions, from £200 in January to £150. It's a definite trend. Next year *those same hotels are* looking at rises of only 4 per cent or 5 per cent instead."

Gillian Upton

IN BRIEF

More flights for more travellers to Bangkok

Flying in the face of Asia's economic woes, Thai Airways *is increasing services between Bangkok and London from* seven to 10 e week when its winter schedule starts on October 26. The main reason is the large number of extra *travellers from the UK taking* advantage of the cheaper baht. The extra flights will be on Tuesdays, Thursdays and Saturdays, departing from London Heathrow at 9pm and arriving at 3.35pm *the* following day. Return services will leave at noon, arriving in London at 5.50pm.

Soaring demand for private jets

Anxiety about the safety of airlines in emerging nations continues to fuel an increase *in demand for private* business jets. Hunt and Palmer, the UK-based charter broker, says that in May and June inquiries about flights to Russia and other former Soviet countries doubled compared with the same period last year. Business has also been boosted by oil and gas companies needing to fly personnel in and out of Afghanistan.

TravelPass extended

SAS has extended its new multiple flight "TravelPass" to ths Aberdeen-Stavenger route.

Passes are valid for a year. *There are three kinds,* covering 10 *or* 20 single flights or unlimited trips. Respectively they cost £2,050 (plus £135 tax), £3,860 (plus £270 tax) and £11,414 (plus£700 tax).

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong	34	31	32	31	32
London	[illegible]	[illegible]	[illegible]	21	[illegible]
Frankfurt	22	[illegible]	21	20	21
New York	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Los Angeles	25	27	31	36	32
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	22	21	21	21	22
Zurich	[illegible]	21	22	19	[illegible]

Information supplied by PA WeatherCentre. Maximum temperatures in Celsius

Deals on wheels

For business travellers who like making deals on the move the ultimate vehicle is now at their disposal – the $80,000 (£50,000) mobile office, *writes Amon Cohen.* Chicago-based LandJet has taken a $25,000 GMC Savana van and converted it into a fully equipped working environment. Features include *four power ports for laptop* computers, three Motorola cellular telephones with voice-mail and power ports, plus a fax, copier, printer and modem. The *LandJet is* for hire in Chicago, New York and *Los Angeles for $500 a day.* Two Russian banks have bought s van and it could soon be heading for western Europe.

Carriage link-up

Business life on the rails is *getting easier, writes Gillian Upton.* Last week Cellnet began s six-month trial of a communication carriage on Virgin's London-Manchester route. Passengers in first class are able to send and receive e-mails and faxes, make business calls and recharge mobile phones, all for free.

Changed exchange

Philadelphia's former stock exchange building is to be converted into s 300-room, four-star hotel. Scheduled to open in 2000, it will be part of the Sofitel chain nperated by Accor, the French hotel and tourism group. Preliminary plans are for 13-storeys with a brasserie and meeting rooms. Accor already manages seven Sofitels in the US and construction is due to start *this year on two more hotels* in Chicago and New York.

Roger Bray

INSIDE TRACK

INTERVIEW DEBRA ENGEL, 3Com

When your job is to stop the shopping

A Silicon Valley human resources director has to find novel ways of retaining staff, finds **Richard Donkin**

How can you possibly keep good employees when your immediate labour market has 20,000 vacancies at any one time, where the local newspapers can feature 4,000 job advertisements in an issue, and where competitors' recruitment vans have been known to pull up in the street attempting to entice staff?

That is the daily challenge for Debra Engel, senior vice-president, corporate services, at 3Com, the computer networking business which employs about 2,800 people – about a quarter of its worldwide workforce – at its Santa Clara headquarters in Silicon Valley.

Ms Engel is one of a new breed of human resource director – the term is not even included in her job title – who has positioned the function at the centre of corporate strategy. The idea, she says, is to make 3Com a preferred employer because it has created an environment which enables people to work how they choose.

"We used to talk about work-life balance. Now we talk about work-life integration," she says. No one at 3Com is contracted on the basis of the hours they work. Such contracts, says Ms Engel, have become meaningless when people can often find themselves working a 70-hour week to drive forward new projects. Work teams engaged on product development running around the clock arrange the cover between themselves. One team might pass its project to another in India which continues the work as the US team sleeps, passing it back the next day so that development is continuous.

"Working patterns tend to be dictated by circumstance. I am on the road this week and I have a laptop, so my secretary does not need to be here. We can stay in touch electronically. The point is to be as efficient as you can be in your life and work," says Ms Engel.

"The idea of the no-hours contract was to put permission in the system. We didn't want to dictate teleworking systems, but to encourage it to happen to suit people's personal arrangements.

"Something between a half and 75 per cent of our revenue comes from products developed in the last year. The business is that dynamic. Someone who might have been a star last year could find that their skills have gone by the wayside the next year. Wa have businesses at 3Com that three years ago were growing by 100 per cent a year and which are now in decline, while there are others that have not yet been thought of. How do you manage that kind of volatility?"

Her answer has been to develop personnel policies that focus on giving peopla the freedom to choose their own terms of employmant. That has meant flexible hours, flexible pensions and uniform benefits packages that do not recognise status.

"Wa have moved on from paternalistic organisations where people at the top had all the answers, to those where the relationship with employees is collaborative and sharing, more of a partnership."

Debra Engel: 'The point is to be as efficient as you can be in your life and work'

The transformation has been so sudden – spanning about three decades, she says – that during the early 1990s many companies did not know how to respond to pressure on margins beyond adopting old behaviours which said "when times get tough, you get tough". That did not work when competitors began vying for expertise.

"We have nomadic workers.

Managers and directors no longer have offices. They talk about their 'cubes'

Three-quarters of our professional people are equipped to work anytime, anywhere and they do. Work life is going on all the time. It is defined by when you choose to engage and disengage."

Some of the hardest lessons from such changes, she says, have been for management. "The company used to monitor calls from work to make sure people were not making personal calls and it used to monitor personal internet use. Now this is regarded as a benefit of working. The employees have understood such concepts almost instantly. It is the managements that have been uncomfortable."

Ms Engel is trying to put across some of these ideas in a new leadership programme for directors and vice-presidents. The managers are asked to "sit in community". About 20 of them form a big circle with no chairman and no firm agenda and "engage in dialogue".

The company, she says, is still trying to cope with the transition from what she calls the industrial to the knowledge age. "We have a foot in both camps but we are trying to let go of those old notions of hierarchy." Managers and directors no longer have offices in Santa Clara. They talk about their "cubes" – partitioned work spaces.

More traditional arrangements persist in the company's European offices, but the trend is towards the US-style arrangements.

"You can always get a better paid job in Silicon Valley. Any one of our people could shop across the road and improve their salary," says Ms Engel. "What we ara looking at is just what causes people to shop. If people can say 'This is what my company does' and it is something that makes a difference, they may feel less inclined to go shopping in the first place."

TIM JACKSON
ON THE WEB

Videos Now: e-commerce fast forward

A fresh service provides an attractive alternative to the prohibitively expensive business of building a brand unaided

If you look at the web site of Videos Now (www.videosnow.com), you will see an impressive launch pad for a service that does not yet exist. Starting next month, Videos Now will offer a range of 100,000 different videos for sale to customers in the US, with a range of low-cost to high-speed delivery options and all the bells and whistles that American electronic commerce consumers have come to accept.

What makes Videos Now interesting, however, is that it is a classic example of a new model for electronic commerce. To see why, it is worth recalling that as the control of access to the internet is concentrating into fewer and fewer hands, it is becoming increasingly expensive to build a brand unaided – to create a web site that, in the jargon, is a "destination" where people get used to going. For all but the largest companies, the marketing investments required are simply too great.

That is why a second model is emerging. Under this second model, you become the equivalent of what is known in the computer industry as an OEM (original equipment manufacturer) supplier. Instead of owning the relationship with the customer directly, you rely on a trusted brand whose web site or online service generates millions of hours of traffic, and use that brand as a launching pad from which to build a business.

Videos Now is a venture from a company called Digital Courier, quoted on the Nasdaq market under the ticker symbol DCTI. The company already operates a number of existing Web businesses, including a weather service called Weather Now and a bookshop called Books Now. Both of these businesses rely on partnerships to succeed. Weather Now is promoted largely through the search engine Excite; Books Now is the front-end to an alliance of magazine publishers, and charges full price for books because most of its visitors have clicked to the site after reading a book review, rather than after comparing prices around the web.

Exploiting one of the chief advantages of Silicon Valley businesses, Videos Now will not actually touch any videos. Initially, it will rely on three outsourcing companies, which will receive inventory, take orders electronically, and ship packages out directly to customers. The company expects to pay $9 to $10 (£5.40 to £6) per video, selling on at a price of about $12.75 and it expects customers to pay prices starting from $3.95 for shipping.

According to RJ Pittman, the company's chief executive, that will leave it with net margins "in the high single figures."

That may sound like an unattractively narrow-margin business. But Mr Pittman believes he has two killer advantages. One is a partnership with Verifone, the online credit-card company, which will allow his company to process credit card transactions for less than half the 2.25 per cent commission that he believes standard for the industry. The other is a partnership with America Online.

Mr Pittman's company has just signed a deal with AOL in which it will pay $12m over a five-year period in return for about 500m impressions (page views) on the world's leading online service. In addition, if AOL overdelivers on impressions or if the two companies enter into other partnerships, AOL will have the option to buy about $2m of stock in the company. As a final kicker, AOL will receive a small percentage of the company's revenues after the first $100m.

For a company whose market capitalisation is only $80m, this is

It is becoming increasingly expensive to create a web site that is a 'destination'

a big bet. Mr Pittman expects to be able to finance the deal out of cash flow from the second year onwards. To bridge the gap in the first year, he hopes to arrange a secondary offering of the company's stock, raising about $30m at a premium of about 50 per cent to the existing market price.

When I put it to him that the Videos Now venture will either propel the company into the big league or make it go bust, Mr Pittman resisted. "With AOL, you have to screw up royally to go bust," he replied. Providing the execution is properly handled, he believes, the simple number of impressions – the exposure to potential customers – will mean that Videos Now can hope to be at least a modest success. The upside? To become the de facto industry standard.

If the company can succeed in doing this, it will have achieved an impressive feat. Not only is there already an existing powerful player in the space – www.reel.com – but also Amazon, the online bookseller, is moving aggressively into video along with several other new ventures. But Mr Pittman did agree that it is important to take risks in his business. No wonder. He turned 29 last Thursday.

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JUDY DEMPSEY
FILE FROM JERUSALEM

A cry for freedom from Jericho

It is remarkable that the Palestinian Authority has failed to provide professional PR to counter Israel's charges about the stalled peace process

Shari does not travel anywhere these days. Not that she wants to go far.

She lives in Jericho, a small, sleepy Palestinian town only 30 minutes east of Jerusalem, where some of her friends live. But anytime Shari wants to visit them, she has to apply to the Israeli authorities to obtain a travel permit.

Occasionally they give her one. Last week they refused. "Sometimes they give a reason. Most times not," says Shari. "This time they said I was not married. That was why I could not get a permit."

Jericho is not under Israeli control. It is run by the Palestinian Authority headed by Yassir Arafat. But that does not make Shari's life, or those of many other Palestinians, any easier.

Palestinians wishing to visit Jerusalem, collect friends from Israel's Ben Gurion international airport, or travel between the West Bank and Gaza, must always apply to the Israelis for a travel permit.

The permits, if granted, strictly limit the time any Palestinian is allowed to spend in Israel, usually to a few hours. Tha same applies to traders in Gaza and the West Bank. Divided by a narrow swathe of Israeli territory, they often wait in vain for permission from Israel to do business with each other.

So just as Shari is cut off from Jerusalem, Palestinians in Gaza and the West Bank are cut off from each other. This is in spite of the fact that the freedom to travel and the establishment of a safe passage between the West Bank and Gaza was agreed between Israel and the Palestinians during the 1995 Oslo peace accords.

Many Israelis have no idea of the restrictions their government imposes on Palestinians. Nor has US public opinion – that is, Congress and CNN – which Benjamin Netanyahu, Israel's prime minister, has targeted in his campaign to demonstrate that it is the Palestinians, and not Israel, who are failing to implement the Oslo accords.

Yet the Palestinian Authority, after four years in power and after seeing how Mr Netanyahu works the US television networks and Congress, has failed to provide professional public relations to counter Israel's charges that the Palestinians alone are to blame for the stalled peace process.

"It is a complete disaster," sighs one western ambassador. "I simply cannot understand the Palestinian Authority's attitude towards the media."

When Mr Netanyahu last month presented plans to extend the boundaries of Jerusalem – even though the status of the disputed city is supposed to be left up to final settlement negotiations between Israel and the Palestinians – the Palestinians failed to go on the offensive.

'With a more open approach, we could do so much more to get our views on Oslo across to Israel and the US. It would also strengthen our civil society'

Hanan Ashrawi, the Palestinian higher education minister, predictably criticises the plan. But she has no maps, charts, or statistics to hand to give a convincing account of how such a plan will cut off Palestinians in the West Bank from Palestinians in east Jerusalem.

And not once has the Palestinian Authority thought of putting Khalil Tafahji – a cartographer with an extraordinarily detailed geographical knowledge of the West Bank, Jerusalem and Israel's plans for the city – in front of the world's media to explain how Mr Netanyahu is undermining the Oslo accords.

There are countless other examples of incompetence in responding quickly and efficiently to events and queries. Press conferences as much as press statements are rare. Telephone calls to Mr Arafat's office in Gaza are rarely returned. When Nabil Shaath, planning minister, was supposed to give a press conference at the Palestinian information ministry in Ramallah a few months ago, he arrived late. "Sorry," he quipped. "I didn't know there was a ministry here."

A Palestinian minister tries to explain why the Palestinian Authority's public relations machine is so bad. "We have no money. A PR firm costs money," he says. Yet Mr Arafat's close colleagues have ample money earned from running monopolies in Gaza and the West Bank to own expensive cars and houses and educate their children privately.

More thoughtful, liberal Palestinians place the blame squarely on Mr Arafat's shoulders. "Arafat is still a revolutionary," says one. "He has not mada the transition from revolutionary to statesman. He is obsessed with controlling everything."

This control extends to the Palestinian media, within which many journalists have adopted self-censorship rather than risk the authority shutting their newspaper offices. Criticism of Mr Arafat and the Palestinian Authority's miserable human rights records is not permitted. Discussions about the direction of Palestinian society – a subject endlessly but privately discussed among young Palestinians – is limited.

Broadcasts of the Palestinian Legislative Council, the de facto parliament democratically elected in 1996, are blocked. The independent Nablus-based Centre for Palestinian Research has come under pressure from Mr Arafat and the PLC if opinion polls show support for either slipping.

"With a more open approach, we could do so much more to get our views on Oslo across to Israel and the US. It would also strengthen our civil society," says a senior Palestinian official. "But that decision has to come from the top, from Arafat and his minders. What more can I say?"

INSIDE TRACK

BUSINESS EDUCATION MENTORING

Partnership that works both ways

The results of mentoring are unpredictable and the participants may not even agree on what they are, writes **Victoria Griffith**

When Ellen (*Lin*) Knapp, a senior partner at Pricewaterhouse Coopers, and Virginia Benson, then a senior manager, were thrown together under a corporate mentorship programme two years ago, neither woman felt the relationship would be very fruitful.

Ms Knapp, some 13 years older than Ms Benson, feared there was too much of an age gap. Ms Benson, working in the auditing section of the firm, was afraid *Ms Knapp, who came from* a management consulting background, would not be *able to offer* much *professional* advice.

Both women were surprised at how well the mentorship worked out. Their experience sheds light on how mentors can be used to improve performance and advance careers.

Part of the success of the relationship is probably attributable to Ms Knapp's personality and status. A large, good-humoured woman, she manages to be motherly without being condescending. Ms Knapp is also close to Pricewaterhouse Coopers executive management team and has a *wide sphere of influence.*

The first point of business for Ms Benson and Ms Knapp was to work out the logistics of their relationship. They wanted face-to-face meetings frequently enough for their interaction to be meaningful, but not so often that it would interfere with work. They opted for once-a-month sessions of about one-and-a half hours. Most discussions took place over lunch, when clients were least likely to contact them.

The lunch sessions also got them out of the office. "I knew if we had people popping in and phone calls being put through, we wouldn't be able to concentrate," said Ms Knapp. In between meetings, they exchanged frequent phone calls and e-mail.

The two have slightly different views on what went well and poorly in the relationship. While Ms Knapp believes she excelled at mixing practical advice with inspiration talk, Ms Benson says she benefited most from the other's intellectual input. "She taught me to think, more than anything else," says Ms Benson. "I'd present a problem and she'd say, 'Have you looked at it in this way?' Pretty soon, I was thinking on a higher level myself."

Ms Benson, for instance, *had chosen to specialise* in the euro currency before the mentorship began. While discussion around the euro still focused on whether or not it would happen, Ms Knapp encouraged her to take a step forward and analyse the common currency's implications once it went into effect.

Both women agree that networking was key. Ms Knapp regularly passed on the names of people she thought might be helpful. Particularly useful was a woman Ms Knapp knew who had just moved to the Amsterdam office: Laura Schupmann. Ms Knapp thought *Ms Schupmann* could pass on articles on the euro appearing in the European press. Ms Schupmann and Ms Benson had something else in common: they were both new mothers, and their shared experiences quickly blossomed into a long-distance friendship.

Ms Knapp also boosted Ms Benson's visibility with clients and colleagues at Coopers. "I knew from the start that I wanted to pass on the importance of making yourself known," said Ms Knapp. "Women tend to be less visible because we engage in behaviour that is not as loud or aggressive as men, and that contributes to problems of promotion."

She encouraged Ms Benson to ask herself consistently whether she was *speaking* up at *meetings* and volunteering for high profile activities such as client demonstrations. She also suggested Ms Benson as an expert speaker on the common currency to a number of conference organisers.

The mentor relationship was not always easy. Ms Knapp feels she fell short in helping Ms Benson, as a new mother, sort out conflicts between work and family. "Although I have children, I didn't really start my career until they were in school, and it was all so long ago that I don't remember the day-to-day trials."

Ms Benson says *Ms* Knapp's own achievement as a working mother was inspiration enough, *but takes* issue with her mentor's practical influence on her promotion. "Because *Lin* was in a different area, she really had little say in whether or not I became partner, and I think one of the things you expect from a mentor is that they directly promote your advancement. Luckily, I was close to becoming partner even before the mentor programma started. Still, it was worthwhile: the tima I spent with Lin will make me a better partner."

Tips on making a mentorship programme work:

- Work out the logistics. *Make sure* meetings are set with some frequency and that there are no distrac*tions.*
- Choose a mentor with some influence. If the person *is in a different area, it can* still work, if you have other supporters who can lobby for your promotion.
- Ask for and accept any useful advice or help, even if it does not strictly seem to fit the programme.
- One of the most important things is access to a network. If you are denied that access, you are probably not getting the most out of the relationship.

Partners: Pricewaterhouse Coopers put Virginia Benson (left) and Ellen Knapp together David Howells

WOMEN ON THE BOARD

Uphill struggle to get round the table

It is a lonely enough job being a senior manager if you also happen to be a woman. Spare a thought, then, for the female board members in British industry.

Research from the City Women's Network, a club of Britain's highest-flying professional women, shows that *of the 1,200 directorships in* the FTSE 100 companies, only 40 are women, who hold 52 of the appointments.

The situation is even more ludicrous, says John Mellor, chief executive of the Non-Executive Director's Forum, because companies are crying out for female non-executive directors.

To try to get more women on to the boards of Britain's biggest companies, the Ned Forum has joined forces with the City Women's Network. The Forum already offers training or development programmes for existing or potential non-executive directors and hopes to increase the proportion of women on these programmes. The two organisations believe a target of 20 per cent women non-executive directors is achievable over the next few years.

But what do women bring to the boardroom that men do not? The City Women's Network is carrying out research to try to find out. Anecdotally, Mr Mellor believes women tend to depoliticise board meetings, while Naomi King, vice-chair of the CWN, believes women are always very active and committed to what they do.

Prua Leith, restaurateur and non-executive director of both the Halifax Building Society and Whitbread, believes it is not so easy to encapsulate the qualities a woman brings in a single sentence. "I think I'm uneasy about any company being represented at the top by people who are not the same sex as the majority of their customers or staff."

The two-and-a-half-day Forum courses centre on case studies and role-playing and give up-to-date information on corporate governance issues. Alumni go on the Forum's register of trained professionals. Companies can approach the Forum when appointing non-executive directors.

Della Bradshaw

NEWS FROM CAMPUS

Cash backing for Harvard's foreign MBAs

International students who are offered an MBA place at Harvard Business School will no longer have to turn the place down through lack of funds.

Harvard has negotiated a loan scheme with Citibank for all new students, regardless of *citizenship.* In the past private loans were usually limited to US students.

The agreement between Harvard and the Student Loan Corporation, a subsidiary of Citibank, means MBA students are eligible to borrow funds under a customised version of Citibank's private CitiAssist programme. In return, Citibank has become the only financial institution to be granted preferred lender status with Harvard MBAs.

Features of the loan include a low interest rate, repayment *over* 15 years and a waiver on fees to set up the loan. The total two-year budget for a *single student in the* MBA programme is about $95,000 (£57,600), according to *Harvard,* including fees, housing and personal expenses. More than 25 per cent of the intake on the Harvard MBA come from outside the US.

Harvard www.hbs.edu

Unicon takes on Morgan

The international executive education body, Unicon, has *elected an executive* education specialist from North Carolina to be the next *president and chairman* of the board.

Frank Morgan, executive programmes director at the Kenan-Flagler business school at the University of North Carolina at Chapel Hill, will succeed Michael Pitfield from Henley Management College, who was the first non-US chairman.

Unicon, which stands for the International University Consortium for Executive Education, was founded in 1972 and now has 67 member schools, including Harvard, Stanford and Insead.

Unicon: US, 908 903 1180

New home in Rotterdam

Later this week construction will begin on the new building for the Rotterdam School of *Management* on the *Erasmus* University campus in the Netherlands. RSM plans to *move into the building,* which will have lecture halls, break-out rooms for discussions, a trading room simulator and electronic library, by the end of 1999.

The building will enable RSM to expand its full-time and part-time MBA programmes and to bring its executive programmes on to the main campus.

Erasmus: www.rsm.nl/

Essential guides for students

Revised editions of two favourite business schools *guides will be on sale from* this month.

- For those trying to track down relevant executive programmes, the Economist Intelligence Unit has published the third edition of *Which Executive Programme?* Priced at £29.95 ($50), the guide examines some of the best programmes in a market estimated to be worth $12bn (£7.2 bn) a year.
EIU: UK, (0)171 830 1007
- *The* London-based Association of MBAs has brought out the latest version *of its Guide to Business Schools* which, claim the compilers, covers everything the budding MBA student needs to know before embarking on an MBA. Priced at £26.95 in the UK, the guide looks, among other things, at studying overseas and how to finance an MBA course.
Association of MBAs: www.mba.org.uk

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CASE COMPETITION

A continuing case for the clearing house

After 25 years the traffic in case studies is still growing, writes **Della Bradshaw**

At the end of last month delegates from nine countries met in the heart of the English countryside to consider a future atrategy for tha National Merchant Bank of Zimbabwe.

Would the bank still be able to expand following the riots in Zimbabwe earlier this year? And would US and European banks continue to provide NMBZ with lines of credit if the political uncertainties were not resolved?

This was no international *strategy meeting,* however. The delegates in question were teams of MBA students from 13 business schools taking part in the European Business Schools Case Competition at Cranfield University, which is sponsored by Gemini Consulting. The case study of NMBZ was written specially for the event, which was held to commemorate the foundation of a case clearing house in Europe 25 years ago.

The European Case Clearing House has come a long way *since it was set up in* 1973 as the Case Clearing House of Great Britain and Ireland. Then it had just a handful of participating schools; today it has more than 300 members and a collection of more than 14,000 *case studies.*

The ECCH runs training courses on how to write cases and how to teach them. But its main line of business is to distribute case studies written by European business schools internation*ally and to disseminate cases* written at the big North American business schools in Europe.

It is a business which is growing, says Jeffrey Gray, consultant director at the ECCH. "There is a perception that case studies are going out of fashion, but that just doesn't stand up."

An increasing number of business schools and commercial *organisations* are turning to the case method.

The ECCH distributes some 50 new *cases* a month from European schools and some 70 or 80 from Harvard Business School, figures which are growing by the month.

In Europe Iese, at the University of Navarra in Barcelona, is the biggest European case publisher, followed by Insead, in Fontainebleau and IMD in Lausanne.

According to Mr Gray, about 60 per cent of the *cases bought and shipped in* Europe originate from Harvard professors. Cases from *Insead and IMD* each account for about 10 per cent of total sales in Europe.

The ECCH also distributes cases written by the other two big North American case-writing schools – the Darden school at the University of Virginia in Charlottesville and the Richard Ivey school at the University of Western Ontario – in Europe.

In the US the ECCH set up an operation at Babson College, near Boston, to introduce the US market to European case writing.

But the take-up has been relatively disappointing *according to Mr Gray.* The big internationally focused schools – Wharton, Kellogg, Columbia, Michigan, Harvard and Thunderbird – have been the biggest customers of European cases.

Tha EECH is now begin*ning to move into the elec*tronic age with the distribution of CD-Rom based cases, which incorporate live video footage to help tell the tale. However, Mr Gray believes there will always be a place for the paper-based case.

"The MBA works 80 hours a week so he or she needs to be able to take the case and read it in the bath. You cannot take your laptop with you in the bath."

As to the anniversary case competition, that was won by the *team of MBAs from* the Said business school at Oxford University.

WEAPONS THAT BLIND OR POISON HAVE BEEN BANNED. SO WHY IS THE WEAPON THAT DID THIS STILL LEGAL?

There are some weapons so abhorrent that their use simply cannot be permitted.

The horrific effects of poison gas in World War I saw this weapon banned in 1925.

The insidious blinding laser joined this list in 1996.

But there is one weapon that causes untold human suffering and still continues to be used.

That weapon is the landmine.

Anti-personnel landmines are frequently laid in a haphazard fashion and continue to operate long after a conflict has ended.

Which means the victims tend not to be soldiers with ample medical support, but poor men, women and children playing no part in the conflict.

Today, somewhere in the world the life of another young child will be cruelly shattered by one of these weapons.

Just one of seventy civilians who fall victim to the landmine every single day.

That is why the International Committee of the Red Cross is leading the call for a total ban on the production, export, use and stockpiling of anti-personnel landmines.

The weapon that mutilated this defenceless child cannot be allowed to continue its carnage.

Before another century starts, landmines must be stopped.

COMITÉ INTERNATIONAL GENÈVE

INTERNATIONAL COMMITTEE OF THE RED CROSS (ICRC)

LANDMINES MUST BE STOPPED

2002 TOURNAMENT 'BIZARRE DECISION' THAT MUST BE MADE TO WORK

Teamwork put to test for new organisers

Patrick Harverson reports on the obstacles ahead for Japan and South Korea, the joint host nations for the next World Cup

As grim as it may seem, now that France 98 is over it is time to start thinking about the next World Cup. Given the unique challenges facing the organisers of the new millennium's first tournament – to be jointly hosted by South Korea and Japan – four years may not be long enough to prepare for the kick-off in June 2002.

Ever since Fifa, world football's governing body, made the bizarre decision in 1996 to appoint co-hosts in 2002, the sport's bureaucrats have been grappling with the problems of organising the world's biggest sporting event in two countries with e history of enmity and mutual suspicion – not to mention separate languages, currencies, time zones and cultures.

The complications are mind-boggling. No fewer than 20 cities, double the number used in France, will host the 64 games.

The political tensions between the host organisers have eased during the two years since that fateful compromise, but the financial and organisational burdens have grown with the onset of a severe economic crisis in the region. The economic situation has deteriorated so badly in Japan and South Korea during the past year that there has been speculation that either one or both countries might have to withdraw.

Concern has particularly focused on South Korea, where the crisis is more severe and likely to last longer than in Japan. Infrastructure and stadium development plans have already been cut back, but South Korea must still make substantial investments in transport, including a new airport, tourist amenities, hotels and media facilities.

Last week, Choi Chang-Shin, the secretary-general of the Korean organising committee, put the latest estimate of the total cost of the World Cup at Won1,300bn ($1bn).

However, despite the huge investment required to prepare the country for the tournament, representatives from South Korea were putting on a brave front for the media while in France. At a Paris reception on Friday for the 2002 hosts, Choi Chang-Shin was asked about the dire economic situation in his country and the special problems this created for World Cup preparations. "What special problems?" he replied.

The Japanese football authorities were also displaying remarkable *sang-froid*. Tadao Murata, director of the Japan Football Association and a member of Fifa's World Cup organising committee, said: "So far, we don't worry about the economic situation. We are not thinking about it."

Both groups were also being coy about what they had learned from the French organisers this summer. The right sort of things were said about the ticketing arrangements, widely agreed to have been poorly handled at France 98, but little else was revealed. The South Koreans seemed most keen to ensure their opening ceremony would prove if not better, then at least more comprehensible than France's.

Whila most observers believe South Korea and Japan will be ready to welcome the football world in 2002, there are other questions about the next World Cup that need to be answered.

Will the two "home" teams be good enough to progress beyond the first round, and if they are not, how will this affect the tournament? When will the games be played – in the evenings to suit European television audiences, or in the mornings to suit South American audiences? Will the stadiums be robbed of atmosphere by the likelihood that few visiting football fans will be able to afford to go? Will North Korea be invited to host some of the games – as has been proposed – adding an extra layer of organisational and political complexity to an already complicated tournament?

Answers to these and other questions were not forthcoming in Paris last week.

As with the US in 1994, Fifa believes it is right to take the football's greatest event to new, uncharted territory. However, the decision had more to do with the sport's politics than with organisational practicalities.

From today, the football authorities in South Korea, Japan, and in Switzerland (Fifa's home), have four years to prove it was the right one.

CROATIA 2 HOLLAND 1 THIRD PLACE PLAY-OFF

Dutch attacking treat proves too expensive

By Peter Nichols

It was a match that Holland had no heart for. They put a gloss on it and pushed gloomier thoughts aside with s strategy of adventure.

Guus Hiddink, the Dutch coach, pushed left-back Arthur Numan up on the left to support Philip Cocu, and Boudewijn Zenden was absolved of defensive duties on the right. In the clever tricks department, Clarence Seedorf and Zenden battled for top billing. In all, it was an engaging effort at showmanship and it cost them the match.

Unfortunately, football is not often a game for romantics. Hiddink's philosophy could have paid off on a day when Dennis Bergkamp offered a threat or Patrick Kluivert converted his chances, or on a day when Dutch adrenalin was not in such short supply.

Imprecisa in the final phases of attack, they were left exposed at the back. When the Croats charged from defence only Frank de Boer and Jaap Stam stood between them and Edwin van der Sar in goal.

They were caught in the 13th minute, with Robert Prosinecki tidily finishing off the move. And though Zenden replied with a fine individual strike in the 21st minute, they were caught a second time after 35 minutes, when Davor Suker had so much time on the ball he could have written van der Sar a letter to tell him when the shot was coming.

Suker's goal was the single rapturous moment in the match, the Croats threading together almost 30 passes, mostly one-touch, before the striker claimed his sixth goal of the tournament. Sadly, it also condemned the game to a second half of such limited Croatian ambition that van der Sar was not troubled by a single shot.

Holland reformed at the break and looked more balanced for it, with Numan playing deeper and Cocu replaced by Marc Overmars on the left, which put Mario Stanic on his guard. Overmars tortured him briefly, but lacking true fitness was soon closed down. Bergkamp, looking even less fit, was replaced by Pierre van Hooijdonk in the 58th minute.

The final stages of the game were more an opportunity for the Croats to display their theatrical talent. A number of players could have been nominated, but Suker took the Oscar, collapsing like a sack of potatoes after the gentlest touch from Frank De Boer in the penultimate minute of the game. When Suker eventually rose, he shrugged as if it were all just a piece of fun. The crowd thought otherwise; most of them had come to jeer Slaven Bilic; if Suker wanted a piece of the action, that was his choice.

There were about 4,000 Dutch and 2,000 Croat supporters in the Parc des Princes in Paris rooting for their teams. The remaining 40,000 seemed to have only one intent: to berate Bilic for his part in the dismissal of French defender Laurent Blanc in the semi-final. Bilic has not been the only actor in this tournament, but keeling over grasping his forehead, when he had apparently been pushed on the chin, made him one of the least popular. After the match, Croatia's coach Miroslav Blasevic did his best to defuse the situation.

Croatian representatives had reached this level once before, supplying five of the Yugoslavian team in the 1962 third-place play-off against Chile. That day they lost. On Saturday, joyfully atop a hastily constructed podium, they were endorsed as the third-best football team in the world. For a nation only formed in 1991, tha journey has been brief but the distance travelled long.

The Dutch do not need to rebuild their team for the European championships in 2000, just their psyches. The biggest threat could be approaches to Hiddink, who leaves this tournament with both his and his team's reputation greatly enhanced. He denied any links with the Real Madrid coaching post that came vacant last week, but the Dutch would do well to get his signature on a new contract quickly.

NUMBERS SO FAR

Goals total	168	Sendings off	21
Bookings	247	Converted penalties	17
Leading goalscorer		Davor Suker (Croatia) 6	

V for Victory: Croatia's match-winner Davor Suker (left) and captain Zvonimir Boban salute their supporters after the game AP

BEST AND WORST THE UPS AND DOWNS OF FRANCE 98

Super siblings, big tantrums and terrible socks

Although this edition of the Financial Times went to press before the World Cup final was over, **Simon Kuper, Patrick Harverson** and **David Owen** offer their nominations for the tournament's best and worst categories

Dual winners: Holland's de Boer twins, Frank (left) and Ronald Empics

Best game: England-Argentina (or Brazil-Holland if you have Dutch sympathies).
Biggest flop: Italian striker Alessandro del Piero.
Falsest dawn: Scotland's respectable 2-1 defeat against Brazil in the opening match, which fooled everybody into thinking they had a reasonable team and might get through to tha second round.
Best brothers: A dead heat between Denmark's Brian and Michael Laudrup, and Holland's Frank and Ronald de Boer. However...
Best twins: The De Boers – hard to think of a better single-egg combination at any World Cup.
Best player *(for a total of four minutes)*: Dennis Bergkamp.
Worst player *(for the rest of the time)*: Dennis Bergkamp.
Best player overall: Whatever anyone says, and despite all the hype beforehand, Ronaldo. Just ask which player you would least like your team to face, and there can be only one answer.
Goalkeepers 1 *(most disappointing)*: Claudio Taffarel – for a Brazilian goalkeeper, disappointingly good.
Goalkeepers 2 *(who emphatically failed to justify their domestic billing as "the best in the world")*: David Seaman, Andreas Kopke and Edwin van der Sar.
Biggest cheats: Ariel Ortega, Diego Simeone, Lorenzo Staelens, Dejan Stankovic and almost the entire Crostian team. Michael Owen, the most promising young cheat, is still disappointingly goal-oriented: he goes down solely to win free-kicks and penalties, rather than for the sheer aesthetic pleasure. Owen should learn from Ortega, who dived to try to win a penalty against Holland when it would have been easier to dribble round Jaap Stam and score.
Fairest players: Ronaldo, Tony Adams and Frank de Boer.
Worst socks: Germany's. Just what alphabet did they use to print those letters? The garments should be pensioned off along with the team.
Worst continent: Asia, although if Antarctica had submitted teams they might have been even worse. Given the constant growth of the World Cup, we should soon find out.
Most disappointing continent: Africa.
Most baffling opening ceremony: What were they thinking of with those racially stereotyped giants and that excruciating poetry? It will be a long time before the French catch on to modern football irony.
Best tantrums: Peter Schmeichel, the Danish keeper, who berated eight-year-old ball boys for not returning the ball within his specified 1.34-second time limit.
Second-best tantrums: The entire US squad after coming 32nd out of 32 teams.
Worst job: Covering Austria.
Nicest remark by a coach: Berti Vogts, German manager, saying that he would rather that Germany had lost to Yugoslavia, if it meant that the Lens policeman beaten into coma by German fans on the same day was made well.
Dumbest remark by a coach: Vogts saying Germany had lost to Croatia because of a Fifa conspiracy to remove his side from the World Cup.
Second dumbest: England's Glenn Hoddle, saying that the English fans in Marseilles had been provoked by Tunisians.
Most courageous decision: Hoddle's, in making Michael Owen start ths World Cup on the bench.
And finally – best response to those who say the World Cup should never have been hosted in France because the country lacks passion for football: True, but have you ever eaten in s French restaurant, or visited the Riviera?

REFEREES

In search of fair play in all quarters

France 98 will be remembered in part as the World Cup of rough justice.

Officials were extraordinarily severe when dealing with certain "showcase" offences, such as tackles from behind, retaliation and dissent. But this was mixed with extreme laxity when sanctioning others – diving, feigning injury and the sort of shirt-pulling and holding that has turned penalty areas into virtual war zones before corners and free kicks.

The result is a lingering feeling that relatively honest troopers such as Laurent Blanc, Morten Wieghorst, Zinedine Zidane and even the foolish David Beckham have been punished too harshly, while the real culprits have largely got away with it.

These perpetrators of football's black arts have shown enough savvy to avoid the tackle from behind, which referees were always going to pick on at this World Cup, in favour of other less dangerous, but no less illegal, ways of grabbing an unfair advantage.

One of the most effective ways of doing this is by reducing the opposition to 10 men. Of 21 red cards meted out before yesterday's final, only three were given to players who ended up on the winning team. In two cases, those of Zidane and Arthur Numan of Holland, the games finished 10-a-side. For Blanc, the expulsion came relatively late in the game with France leading.

It is to the detriment of the game to allow this situation to continue, but how can it be changed for tha next World Cup in 2002?

One remedy would be to supply referees with a greater number of punishment options. Even when a red card is justified, its punitive effect varies immensely and arbitrarily, depending on whether a given offence is committed in the eighth or 80th minute.

Time-limited expulsions, in the manner of ice-hockey's "sin-bin", should be considered. So should sendings off where the offending player is replaced by a team-mate, thus delivering personal retribution without ruining the game.

The powers-that-be should also give World Cup officials s better idea of whether they are likely to be retained for the latter stages, well before the tournament begins.

Being judged on their first-round performances puts referees in s vulnerable position. As one assistant referee said: "We are all here to help each other, but at the end of the day, we all want the same thing." It is hardly surprising that a public exhortation by Sepp Blatter, the new president of Fifa, the game's governing body, to give red cards for tackles from behind should apparently have contributed to "Red Thursday" on June 18, when five players were sent off in two games.

Dismissed players should also be able to appeal against the decision with the aid of video evidence.

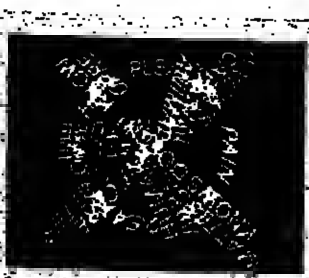
David Owen

OPENINGS

LONDON

The 1998 Proms begin at the Royal Albert Hall on Friday with Berlioz's *La Damnation de Faust*, conducted by Andrew Davis. The opening weekend continues in operatic vein with Rameau's *Zoroastre* on Saturday (William Christie and Les Arts Florissants) and Szymanowski's *King Roger* on Sunday (Simon Rattle and his Birmingham orchestra). The season runs until September 12.

"Venice through Canaletto's eyes", opening at the National Gallery on Wednesday, explores how the artist produced his views of one of the most beautiful cities ever built. The exhibition consists of 23 paintings and drawings, mainly from British collections, and takes the form of a tour along the Grand Canal.



The Hayward Gallery presents a retrospective of American artist Bruce Nauman on Thursday, dominated by his audio-visual and sound installations (above).

Three productions of musicals, old and new: on Wednesday, Trevor Nunn's National Theatre production of the Rogers-Hammerstein classic *Oklahoma!* opens at the Olivier Theatre; tomorrow, Steven Pimlott's production at Labatt's Apollo of *Dr Doolittle*, starring Philip Scofield (below right), with 97 *animatronics, and songs by Leslie* Brieusse; and tonight *Eyam*, a new musical by Andrew Peggie and Stephen Clark at the Bridewell Theatre.

The famous Steppenwolf Theatre Company from Chicago, led by John Mahoney, visits London, opening at the Barbican Theatre on Thursday, with the British premiere of the Kaufman & Hart classic *The Man who Came to Dinner*.

Senegalese singer Baaba Maal (left) opens the Festival Hall's Serious Summer tonight. The wide-ranging, weeklong bill includes the reformed Blues Brothers Band (Wednesday and Thursday), Brazilians Gilberto Gil and Marisa Monte in a duo (Friday), and trumpeter Hugh Masakela celebrating Nelson Mandela's birthday on Saturday.

BREGENZ

The Bregenz festival opens on Thursday with Montemezzi's rarely performed opera *L'amore dei tre re*. The main attraction on the floating stage this year is a revival of Götz Friedrich's *production of Porgy and Bess*, conducted by Andrew Litton.

OSNABRUCK

The Felix Nussbaum Museum, commemorating the painter who died in the Holocaust, opens *in this north German* city on Thursday. It was designed by *Daniel Liebeskind*, the American architect recently commissioned to design Jewish museums for Berlin and San Francisco.

KUHMO

The world-renowned chamber *music festival in this north Finnish* town includes large doses of Haydn and Villa Lobos, French music from Chausson to Florent *Schmitt, and some new works by* Finnish composers. The first concert is on Sunday, and the last on August 2.

VERBIER

Music takes over this Swiss Alpine resort for the next three weeks. Founded and run by impresario Martin Engstroem, the Verbier festival is a heady cocktail of mountain air, masterclasses and high-powered chamber recitals, in which soloists of the calibre of Maxim Vengerov, Yuri Bashmet (left) and Boris Berezovsky knock sparks off each other. The Curtis Institute provides this year's resident orchestra, and there will be tributes to Rodion Shchedrin and Maya Plissetskaya.

A rare and intimate treat in Don Giovanni

In Aix-en-Provence, **Andrew Clark** finds a Peter Brook miracle

In the programme-book for *Don Giovanni* at the *Aix-en-Provence* festival, Peter Brook pronounces, oracle-like, on virtually every scene in the opera, colouring his comments with a lifetime's observation of people, theatre, cinema and music. It's a performance in itself, and if you have time to read it beforehand, it makes you sceptical about what you're going to see and hear. *How can anyone distil all* this experience, translate it to the stage, and still make pure, unadulterated sense of Mozart's *dramma giocoso*?

The miracle of the Aix *Don Giovanni* is that Brook has done just that – to the dismay of some sections of the first night audience. They wanted a picture-book Seville, a seqnence of outsize scenes and characters, an operatic stereotype. Brook will have none of that. His staging is simple, bare, true to life. It begins and ends in the music. It presents characters who are very much stage animals, but whose performances cross the footlights in such a way that you feel complete complicity with everything they think and feel. There are no gags, no conventional solutions. The result is one of the most naturally absorbing nights in the theatre that I have witnessed.

It's a wonder Brook ever came back. He last staged Mozart 50 years ago – a Covent Garden *Figaro*. And it's 30 years since he dismissed grand opera as "a nightmare of vast feuds over tiny details". Since then he has confined himself to stripped-down, experimental versions of *Carmen* and *Pelléas* in his own Paris theatre. So there was an element of curiosity, almost disbelief, when it became known that the Aix festival was to be relaunched this summer with a Brook staging. Had he really capitulated? *Has he re-ac*cepted the literalness of opera?

The answer must be "yes" – but on his own terms. Brook agreed only because Stéphane Lissner, the man charged with reviving Aix's fortunes, guaranteed him the working conditions he enjoys at the Bouffes du Nord: young casts, long and dedicated rehearsal, an atmosphere in which everyone can turn the work inside out and rediscover it for themselves.

In *Don Giovanni*, this results in a reading of rare fluidity and intimacy. The characters sing their lines front-of-stage: there's no straining, no sense that they are engaged in anything other than musical conversation. Nor is there any decor: there isn't any need for it. As Brook reminds us in the overture, played with the cast seated expectantly around the stage, the drama is all in the music and the personalities it portrays. All they have to fall back on – apart from Chloé Obolensky's stylish and class-conscious modern costumes – are a handful of coloured benches with detachable poles, overlooked by the 18th century stone façade of the open-air Théâtre de l'Archevêché.

Far from cramping his style, the discipline of working to a text appears to have liberated Brook. There may be nothing literal about the murder of the Commendatore, the beating of Masetto, the master-servant switch or the arrival of the stone guest – but each is enacted with such resourceful stagecraft that we identify immediately with what is happening. With almost every turn of phrase, Brook reminds us that light-heartedness in Mozart is synonymous with poignancy; and the beauty of this performance is the way each member of the cast expresses these ambivalent shades.

Nowhere is this more obvious than the catalogue aria: the joke seems to be on Leporello, until the truth gradually, tragically crosses Elvira's face. She is no hysteric: Melanie Diener turns her into a character of considerable depth and thoughtfulness. Carmela Remigio's Anna and Lisa Larsson's Zerlina are no less sincere, but cannot match Diener's silver-plated voice and personality.

With the exception of Till Fechner's puny Masetto, *the men are* more evenly balanced. As a far-from-wimpish Don Ottavio, John Mark Ainsley gives the performance of his life. Gilles Cachemaille is the definitive Leporello, Gudjon Oskarsson a marvellously concentrated Commendatore – *and* Peter Mattei a Giovanni of explosive energy, virility and charm.

Peter Mattei as Don Giovanni: as ravenous as he is vindictive P. Victor/Max PPP

Not since Ruggero Raimondi has there been a seducer who so easily combines danger and noblesse, whose smile is the flip-side of a vicious glower. Mattei acts like an over-sexed young aristocrat, using his towering physique to advantage. This Giovanni is as ravenous as he is vindictive – but that does *not stop us secretly liking him*. Mattei's Serenade is rapturously honeyed, his Champagne aria perfectly articulated despite being taken at a furious lick: this is a fascinating performance.

So, too, is everything we hear *from the pit. The fact that I have* withheld mention of Daniel Harding's contribution till now does not mean he was anything less than an equal partner with Brook. Harding, a 22-year-old British conductor, shared the musical preparation with his mentor, Claudio Abbado; no one knew until a few days ago which of the two would preside over the opening night. In the event, doubtless encouraged by *some preview performances, Hard*ing conducted with a mixture of youthful freshness and extraordinary maturity.

In no way was this a "borrowed" interpretation; nor did the equally youthful Mahler Chamber Orchestra, *playing with modern instru*ments but period manners, seem anything less than intimately acquainted with the music's sense and style. Within each phrase Harding whipped up a fury while uncovering the tenderness behind it: I particularly liked his *con amore* treatment of "Dalla sna pace", the dancing accompaniment to "Andiam" in the Giovanni/Zerlina dnet, and the way he locked *immediataly into the tempo* changes.

Both Brook and Harding faced a mountain of expectations in this production; the fact that they surpassed them suggests that, in a world of operatic excess, there are *still old truths waiting to be discov*ered.

Ragtag of the Church clergy

THEATRE

ANTONY THORNCROFT

Racing Demon
Chichester Festival Theatre

Now that local boy David Hare has scooped a knighthood, his state-of-the-nation plays are reckoned to be suitable for the mop heads of the Chichester Festival. *Racing Demon*, his strangely passionate study of the travails of the Church of England, is perhaps the best of the genre, being less dependent on statistics and more concerned with human frailties. There is also a gripping plot, which only falls apart in the final scenes.

There is much of George Bernard Shaw in *Racing Demon*; the characters brazenly represent the ragtag and bobtails of the Church Established. There is the woolly headed rector, the Rev Lionel Epsy (the excellent Dinsdale Landen), whose own self-doubts make *him* a hopeless shepherd for his inner-city flock; the born-again curate, the Rev "Tony" Ferris (Paul Venables, impressively deranged), whose fundamentalism is driving him towards the wrong side of fanaticism; the beatific Rev "Streaky" Bacon (a charismatic Peter Bourke); the gay Rev Harry Henderson (Mark Kingstoo), all presided over by the Bishop of Southwark (Denis Quilley, positively shaking with fervour), whose conservative convictions keep him awake at night in a world wbere the church is little more than an out-station of *the social services*.

On Stephen Brimson Lewis' bleak, adaptable, stage, enlivened by trains roaring across the mean streets, and through Christopher Morahan's quick direction of 22 self-contained scenelets, Hare probes all the inconsistencies, tensions and doubts that weigh down the Church.

Sometimes his outsider's vision seems to let him down – bishops of Southwark are traditionally liberal to the point of Marxist, and there can be few occasions when they entertain curates at the Savoy for dinner. It also seems unlikely that a bishop, faced with creating schism in the Church over the issue of accepting women as clergy, should devote so much energy to dumping an old friend from his parish.

Hare also seems to lose faith in his plot; in the great confrontational scene, when the bishop verbally defrocks the Rev Espy, the rector wins the battle if not the argument. Then be weakly accepts defeat.

The ending, too, is sloppy, when, in a typical flight of Hare fantasy, Rachel Joyce, one of the three under-written women in the play, pleads for man to find his own salvation, apparently by flying away. But much more is right: the drab clothes of the clergy, the individualism of their vision of the Church, and Hare's occasional flashes of wit and wisdom.

By taking a subject about which most people know little but have strong feelings, Hare has created a memorable work of drama. If it is shot through with contradictions, then so is the Church; if its ending is inconclusive, then so is the Church. By going for good actors rather than starry names, with both Landen and Quilley in sparkling form, Chichester under new management has produced a definitive production of one of the more enduring plays of the decade.

Tortured souls: Denis Quilley (left) and Dinsdale Landen Alastair Muir

INTERNATIONAL Arts Guide

ATLANTA

EXHIBITION
High Museum of Art
Tel: 1-404-733 4444
Self-Taught Artists of the 20th Century: An American Anthology. 300 works by more than 30 artists, all of them without formal training; from Jul 14 to Sep 20

BUDAPEST

EXHIBITIONS
Hungarian National Gallery, Buda Castle
Tel: 36-1-375 7533
Jozsef Rippl-Ronai: retrospective of the Hungarian post-impressionist, comprising 250 works. Includes decorative art objects and personal photographs and letters as well as paintings loaned by private collectors and museums; to Sep 6, then transferring to Saint-Germain-en-Laye near Paris

Museum of Applied Arts
Tel: 36-1-217 5222
Zsolnay: Art Nouveau Ceramics. Display of 200 objects made between 1897 and 1918 at the family-owned Zsolnay factory in Pécs. Includes goblets, vases and other objects. The museum itself, opened in 1896, is itself decorated with Zsolnay pyrogranite; to Sep 27

COPENHAGEN

EXHIBITION
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
Louisiana at 40: The Collection Today. Anniversary exhibition of the permanent collection, designed to showcase 40 years of work. Highlights include works by Giacometti; to Aug 30

EDINBURGH

EXHIBITIONS
National Gallery of Scotland
Tel: 44-131-624 6200
Effigies and Ecstasies: Roman Baroque Sculpture and Design in the Age of Bernini. The National Gallery's major festival exhibition for 1998 is a celebration of the outstanding artist of the Italian baroque, Gianlorenzo Bernini, on the fourth centenary of his birth; to Sep 20

Scottish National Portrait Gallery
Tel: 44-131-624 6200
● Robin Gillanders: Little Sparta. Photographs of the painter Ian Hamilton Findlay's garden at Dunsyre in the Pentland Hills. Gillanders has been working there since 1993, and the display includes a range of collaborative works - posters, prints and postcards; from Jul 17 to Nov 29
● The Winter Queen: The Life of Elizabeth of Bohemia. Includes around 50 paintings, plus a selection of engravings and medals; to Oct 4

GLIMMERGLASS

OPERA
Alice Busch Opera Theater, Cooperstown
Tel: 1-607-547 2255
The Mother of Us All: by Virgil Thomson. Conducted by Stewart Robertson in a new staging by Christopher Alden, with sets by Allen Moyer; Jul 18

GLYNDEBOURNE

OPERA
Glyndebourne Festival Opera
Tel: 44-1273-815 000
Rodelinda: by Handel. New production directed by Jean-Marie Villégier, with sets by Nicolas de Lajartre and Pascale Cazales. With the Orchestra of the Age of Enlightenment conducted by William Christie; Jul 14

GRAZ

DANCE
Opernhaus
Tel: 43-316-80080
Kirov Ballet in a three-week season. Performances include The Sleeping Beauty (Jul 13), Swan Lake (Jul 14, 16), a Fokine evening (Jul 17) and La Bayadère (Jul 18)

KRAKOW

EXHIBITION
Plac Szczepanski
Tel: 48-12-422 8616
Ecole de Paris - Jewish Painters from Poland: pictures from Wojciech Fibak's collection, produced by painters working in Paris in the first half of this century; to Aug 30

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
Carmen: by Bizet. Sir Colin Davis conducts the London Symphony Orchestra in a concert performance, with soloists including Olga Borodina and José Cura; Jul 15, 17

EXHIBITION
Barbican Art Gallery
Tel: 44-171-638 8891
The Warhol Look/Glamour Style *Fashion: includes screen prints*, films, reconstructed window displays, photographs, illustrations and clothing, mainly drawn from the Warhol Museum and offering insights into Warhol's work in this area and the New York scene of the period; to Aug 16

MADRID

EXHIBITION
Museo Nacional Centro de Arte Reina Sofia
Tel: 34-1-467 5062
Federico García Lorca (1898-1936): centenary celebration of the Spanish poet. Includes biographical material and examples of tha different forms in which Lorca worked - including theatre, music and the visual arts - with friends and collaborators including *Falla, Dalí and Bunuel*; to Sep 21

MILAN

OPERA
Teatro alla Scala
Tel: 39-02-88791
www.lascala.milano.it
Lucrezia Borgia: by Donizetti. Conducted by Gianluigi Gelmetti in a staging by Hugo De Ana. Casts vary; look out for Renée Fleming; Jul 13, 14, 16, 18

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Philharmonic Orchestra: conducted by Jun Märkl in works by Brahms, Mahler and Schoenberg. With soloist Barbara Hendricks; Jul 13, 14, 15, 16

PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
La Traviata: by Verdi. Production directed by Jonathan Miller and conducted by James Conlon. Cast includes Ramon Vargas; Jul 13

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Gerard Schwarz in a programme of French works including Sarasate's Carmen *Fantasy and Chabrier's España*. With violin soloist Elmar Oliveira; Jul 16

SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
www.santafeopera.org
● Beatrice and Benedict: by Berlioz. New production directed by Tim Albery and designed by Jennifer Tipton. Susan Graham will *sing the role of Beatrice, with* Elizabeth Futral as Hero. The conductor is Edo de Waart; Jul 18
● The Magic Flute: by Mozart. New production by Jonathan Miller, with sets by Roni Toren and costumes by Judy Levin. Cast includes Sheri Greenawald; Jul 15

STUTTGART

OPERA
Staatsoper Stuttgart
Tel: 49-711-202090
Tosca: by Puccini. New production by Willy Decker, conducted by Lothar Zagrosek with designs by Wolfgang Gussmann; Jul 14, 18

THE HAGUE

EXHIBITIONS
Lange Voorhout
Tel: 31-70-364 5784
The Hague Sculpture 98: outdoor exhibition of more than 50 works by sculptors including Rodin, Maillol, Calder, Moore, Bourgeois and Tinguely. A modern sculpture show at Het Paleis Museum is *showing at the same time*; to Jul 14

VERONA

OPERA
Arena di Verona
Tel: 39-045-800 5151
www.arena.it
● Tosca: by Puccini. New production by Giuliano Montaldo, with sets by Luciano Ricceri. Cast includes Ruggero Raimondi and the conductor is Angelo Campori; *Jul 18*
● Un Ballo in Maschera: by Verdi. New production by Giuliano Montaldo with sets by Luciano Ricceri. Conducted by Daniel Oren; Jul 17

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ *(463m)*

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

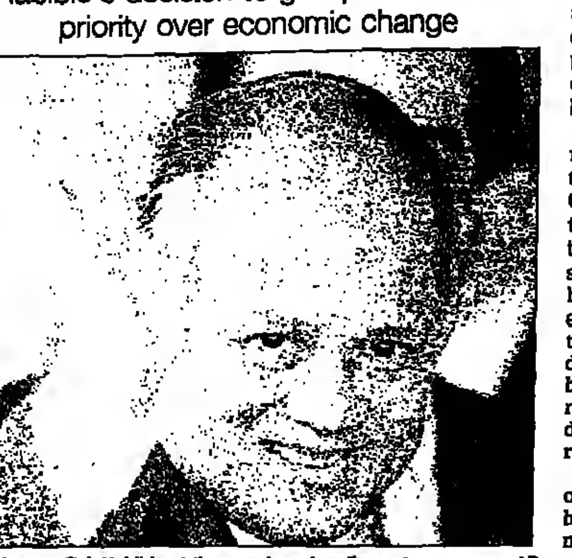
● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

COMMENT & ANALYSIS

Indonesia's Gorbachev

Sander Thoenes examines President Habibie's decision to give political reform priority over economic change



Driving on: B.J. Habibie at the opening of parliament AP

Only seven weeks into his term, Indonesia's new president, B.J. Habibie, has earned a nickname that is both a compliment and a curse: Mikhail Gorbachev.

While it took the former Soviet president years to loosen the grip of the Communist party on the press and opposition, Mr Habibie took only days to free political prisoners, allow workers to form unions and offer limited autonomy to proponents of independence for East Timor. He has also set the timetable for what he promises will be democratic elections.

"We're going to change," he says. "Nice eh?"

This Indonesian version of glasnost has won Mr Habibie much more acceptance than most Indonesians and foreign observers had expected of a man they used to dismiss as a nutty professor and a lackey of former president Suharto.

"If Habibie really shows a break with Suharto, he can become a good president," says Hakim Hatta, a student activist who joined the protests that brought down Mr Suharto and who was one of many to reject Mr Habibie at first. "We don't support him but we accept him. There is no one else."

Mr Habibie won a clear political victory over the weekend when Golkar, the ruling party set up and run by Mr Suharto to dominate parliament, voted in his protegé as chairman.

To some extent, his complete disregard of protocol and fondness for cracking jokes have come as a breath of fresh air after the aloof and rather dull rule of Mr Suharto. "I am not a king," he says, priding himself on visiting parliament rather than summoning its speaker to the palace as Mr Suharto was wont to do. "I could be just your neighbour."

Mr Habibie's biggest fans have been the International Monetary Fund, due to release a $1bn tranche of credits for Indonesia on Wednesday, and the World Bank, which released $1bn earlier this month. The US has given a more cautious nod of approval but Japan, Germany and other countries have sung his praise.

Mr Habibie also won vital, if guarded, support from the military. "The most ready government to restore our economy is the Habibie government," said Lt Gen Susilo Bambang Yudhoyono, chief of socio-political affairs in the military. "If someone else were president, there is no guarantee he would have support from all the people either. Our economy cannot wait."

Even those who publicly oppose him admit quietly they can live with him. "Let's give him a chance," says Subagio Anam, a prominent businessman turned politician.

Mr Subagio, though a strong supporter of opposition leader Megawati Sukarnoputri – who has refused to accept Mr Habibie as president – even paid the compliment of comparing Mr Habibie to Mr Gorbachev. "There is a similarity," he says. "He has made dramatic changes in political life. But he may meet the same fate as Gorbachev."

That is something even his fans are afraid of too. "Gorbachev failed with perestroika," says Umar Juoro, an economist close to Mr Habibie's camp. "In the Soviet Union, political reforms failed because people could not get food."

That may hold true for Indonesia too. Other than the collapse of the Soviet Union, no economic downturn since the second world war comes close to that of Indonesia. Gross domestic product declined by 12.2 per cent in the first six months of this year, plunging 40 per cent of the country's 200m people into poverty.

In a few remote parts of the archipelago there has been famine but millions more are malnourished because they cannot afford the food that is on the shelves.

Mr Habibie has done very little about any of this, other than make the extraordinary suggestion that Indonesians follow his example of fasting two days a week.

His cabinet is divided between populists and technocrats, and neither are used to reaching compromises because Mr Suharto used to make all the decisions for them. The rupiah has continued to lose value against the dollar despite the rush of pledges of financial support for Mr Habibie's government, and the economy is showing increasing strains.

Some of Mr Habibie's reforms, of labour law for example, may increase social tension rather than dissipate it because these new labour activists will face employers who cannot afford to raise pay.

"He has made a good score in the political arena," says Umar Juoro, an economist at a think-tank close to Mr Habibie. "But he has not yet scored in the economy."

Mr Habibie says he is aware of that. "The majority of people don't care [who is president]," he says. "They care only for their rice bowl."

Mr Habibie has not gained much support or even acceptance from the country's Chinese minority, who control more than two-thirds of the economy. Many Chinese shop owners, traders and business executives have either hunkered down or fled the country after rioters destroyed many of their businesses while gangs raped their wives and children during anti-Suharto riots in May.

Mr Habibie, openly critical of the Chinese in the past, has promised not to discriminate but stacked his cabinet with four ministers known to be anti-Chinese. But he says he will invite Chinese to join a new independent committee to investigate the riots and rape, as well as the killing and kidnapping of activists and student protesters.

Like Mr Gorbachev, Mr Habibie insists he made the right decision to focus on political reforms first, while continuing to implement the economic reforms agreed between the IMF and his predecessor. Using two business cards and a canister of coffee sweeteners on his desk to illustrate his point, he argued that economic reforms under Mr Suharto had far outpaced political reforms but could not proceed alone, as investors wanted political stability as well as economic reforms.

"I made a racecar with this political vehicle and pulled it and pushed it," he says, pushing one business card past another. "That all happened within 30 days. Unfortunately I cannot do more [that soon]."

But the coffee sweetener, symbolising the finish of the race between political and economic reforms, was still at the other end of the desk. Mr Habibie will need more than glasnost to get to the finish.

LETTERS TO THE EDITOR

Significant gap in French business education

From Mr David Harrison.

Sir, Further to Andrew Jack's article "A degree of equality" (July 6), I fear that he has missed the essential point about comparing the Ecole des Hautes Etudes de Commerce (HEC) and the Ecole Supérieure des Sciences Economiques et Commerciales (ESSEC) with business education in countries such as the US or the UK. It is true that students leave these establishments lacking work experience but a more substantial criticism must be that relating to lack of proof of the student having assimilated what the instructors teach.

All of the emphasis of the French system is on qualifying to enter the school via the preparation classes; there is no valid examination on finishing the course. It is possible for a student to go through the two- or three-year syllabus without proving that he or she has acquired even the theoretical knowledge of business.

It is basically very difficult to not be allowed to complete the course if academic levels which should be attained are not. The student then makes great play on the fact that he or she has "done" HEC or an Essec when looking for a job, and a salary which experience does not merit.

Incidentally, given the lack of exit examinations, I find myself at a loss to understand why AACSB, the US trade association for business schools, recently accepted that Essec's programme enabled it to have their presumably valued label awarded. There is also a growing tendency to add the relevant letters after names on business cards as is the practice in Anglo-Saxon countries.

As a chartered accountant whose initial qualification was obtained only after hard work sanctioned by two examinations, who has had extensive experience of new "graduates" of these French schools, this particular practice tends to irritate me. I do not add FCA after my name.

David Harrison,
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France

No turning a blind eye

From Ms Louise Arbour.

Sir, In his review of Richard Holbrooke's book *To End a War* (Book review: "The search for peace", July 2), Carl Bildt comments that "it remains one of the enduring mysteries that the International Criminal Tribunal in The Hague has turned a blind eye to [ethnic cleansing by the Croat army during August and September 1995]".

I wish to point out that there is no basis upon which Mr Bildt can conclude that the tribunal has turned a blind eye to that or any other alleged criminal incident within its mandate. The Prosecutor does not reveal either the existence or progress of our investigations. Furthermore, all indictments presented for confirmation since the fall of 1996 have been the subject of non-disclosure orders.

Louise Arbour,
Prosecutor,
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International Criminal Tribunal for the former Yugoslavia,
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The Netherlands

Ukraine policy was merely reconfirmed

From Mr Volodymyr Vassylenko.

Sir, Commenting on positive remarks of Boris Tarasyuk, new Ukraine's foreign minister, relating to Nato enlargement, Charles Clover ("Moscow rebukes Kiev over praise for Nato", July 9) qualified these remarks as a "subtle shift in Ukraine's foreign policy", which caused the Russian parliament's refusal to consider ratifying the friendship treaty with Ukraine.

In fact, the remarks just reconfirmed that the strategic course of Ukraine toward integration with European and Euro-Atlantic structures remains unchanged. This course was established and consistently pursued by Ukraine since the early days of its independence.

The Russian parliament's delay in ratification of the Ukrainian-Russian treaty had started long before Mr Tarasyuk was appointed as Ukraine's foreign minister. The Russian parliament's attitude toward ratification of the treaty is rooted in the position of many Russian parliamentarians and politicians who still consider Ukraine to be part of Russia and dream of re-absorbing it.

Ukraine's active participation in the construction of new security architecture in Europe, including co-operation with Nato, the EU, and Organisation for Security and Co-operation in Europe, strengthens our state's independence and makes the geopolitical changes which took place after the collapse of the USSR irreversible.

Ukraine has never refused to ratify economic agreement with Russia, as Charles Clover writes. This agreement was signed on the eve of elections to Verkhovna Rada (the Ukrainian parliament). The new parliament simply has not yet put it on the agenda. There is no doubt about its ratification, because Ukraine is making the utmost efforts to develop friendly, co-operative relations with Russia, considering it as beneficial for both countries.

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Chasing their tails with economic policy

From Mr Stephen Hartley-Brewer.

Sir, Michael Henson (Letters, July 7) asked whether anybody could quantify the inflationary effects of indirect taxation and interest rate rises. Between March and April this year the UK retail price index rose sharply from 3.5 per cent to 4 per cent. However, with mortgage repayment rises factored out in the RPI-X, the change was 0.4 percentage points and, with both these and indirect taxation factored out in the RPI-Y, the change was a tiny 0.1 percentage points.

Even without considering direct taxation, these figures surely confirm his argument that the government and monetary policy committee are chasing their own tails by raising rates and indirect taxes to damp inflation.

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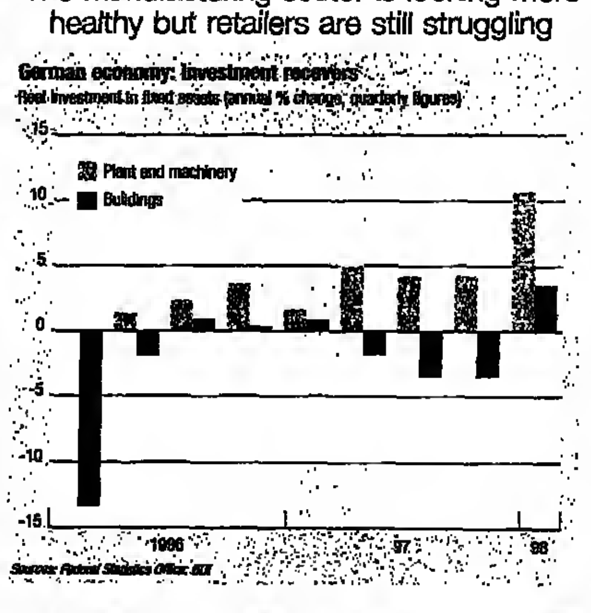
ECONOMICS NOTEBOOK PETER NORMAN

Germany's shaky recovery

The manufacturing sector is looking more healthy but retailers are still struggling



Anyone harbouring doubts about whether Germany is in a state of economic recovery should rest easier now that the main political parties have started squabbling about who is responsible for the upswing.

Following last week's news of June's sharp 122,300 drop in unadjusted "headline" unemployment, Gerhard Schröder, the chancellor candidate for the opposition Social Democrat party, revised the SPD's hitherto cautious appraisal of the business cycle. He embraced the upswing, declaring it was "his" because it reflected hopes of a change of government after the September 27 general election.

Mr Schröder's remarks sparked a rare display of unity among the parties of Chancellor Helmut Kohl's governing coalition. They vilified the SPD candidate and claimed the recovery rewarded the government's programme of unpopular economic reforms.

All good knockabout stuff. There is, however, a serious side to the political spat. It is becoming increasingly difficult to separate spin from statistics in Germany.

The problem is exacerbated by a surprisingly ungermanic sloppiness in dealing with economic indicators. In spite of a Bundesbank drive to increase the availability statistics adjusted for differences of season and calendar, the public debate almost always focuses on unadjusted data. The result is that it is often difficult to know what is really going on in the German economy.

Recently, for example, enabled Otto Hauser, the Bonn government spokesman, claimed without challenge that year-on-year growth in the first quarter was 3.8 per cent, the best since unification in 1990. The Bundesbank figures, adjusted for the number of working days as well as seasonal factors, put growth at a more modest 3 per cent.

It is also likely that first quarter growth was artificially boosted by an unusually mild winter and purchases ahead of April's one percentage point increase in value added tax to 16 per cent. Mr Hauser could therefore find that second quarter growth figures fit less well with the government's election campaign if he uses the same series of gross domestic product figures when the next quarterly statistics are announced in two months.

All the same, it is clear that economic growth in Germany is clearly becoming more broadly based. Last year's export-led growth pushed up capacity utilisation in west German industry to levels last seen in the 1990 unification boom. This has stimulated investment and contributed to a drop of about 250,000 in seasonally adjusted unemployment over the past six months.

As the chart shows, real investment in fixed assets grew nearly three times faster than the whole economy in the first quarter. A survey of western German industry by the Munich-based Ifo economic research institute last week suggested the above-average trend would continue through 1998, with companies spending more on capacity expansion than at any time since 1991.

Ifo forecasts that manufacturers in western Germany would increase their investments by a real 9 per cent this year. Its projections of investment growth by German business as a whole were slightly less upbeat at 8 per cent in 1998 and 7 per cent in 1999.

The recovery in investment has been encouraged by moderate wage increases and greater flexibility in setting pay at a local level. According to this month's survey of German purchasing managers prepared by NTC Research of the UK, manufacturing employment has risen for 11 consecutive months. The German federation of industry (BDI) last week singled out the auto, electrical engineering and machine building industries as sectors planning to hire more labour this year.

But move from the factory floor to the high street, however, and the picture is still one of gloom.

Official figures last week showed retail turnover stagnated in the first five months of this year in both real and nominal terms compared with the same period of 1997. March was the only month in which sales rose year-on-year as shoppers acted to beat the April 1 value added tax rise.

According to Lovro Mandac, head of the Kaufhof department store group and president of BAG, a trade group representing 4,000 medium and large retailers, 1998 is likely to be the sixth successive year in which Germany's retailers suffer a real decline in sales. He forecast that it would be mid-November, six weeks after the election, before the recovery had a positive impact on the retail trade. In short, the German economy is rather like Britain's, where manufacturing is weak and the service sector is strong.

Retail trends cast an unfavourable light on Germany's current low annual inflation rate of 1.2 per cent. While Mr Kohl has been trumpeting price stability as one of the economic achievements of his government, retailers complain that it reflects weak demand and brutal competitive conditions that are squeezing their margins.

BAG last week reported that retailers' purchasing prices had risen by about 2 per cent while their selling prices had increased by only 0.8 per cent.

Behind such statistics lies a fall in purchasing power for many consumers and a widespread belief that the economy is still in dire straits. And for many people it is. Among the statistics the government chose not to emphasise last week was that for long term unemployment. While June's unadjusted jobless total of 4.08m was 147,000 below the June 1997 level, the number out of work for a year or more had risen by 115,000 to 1.55m in the same period.

The jobless figures were a reminder of the serious structural problems that Germany must overcome before it can claim to have a healthy economy.

Highlighting a skills mismatch, Jürgen Rüttgers, the education and technology minister, last week reported that Germany's software sector could have employed 50,000 more people last year but they were simply not available.

In presenting the 1999 draft federal budget, Theo Waigel, the finance minister, touched on two other grave problems. Germany's ageing society and the weaknesses of its pay-as-you-go pension system mean that nearly DM110bn ($60bn), will be spent in subsidising pensions next year.

In addition, an unchanged DM95bn of federal transfers will flow to the new Länder to offset the continuing gap in economic performance between west and east in Germany's ninth year as a united nation.

COMMENT & ANALYSIS

FINANCIAL TIMES

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Firm no to Hashimoto

Yesterday's upper house elections gave Japanese voters their first proper opportunity to pass judgment on the leadership of prime minister Ryutaro Hashimoto. The turnout was large by recent Japanese standards, and the verdict damning. The humiliation of the ruling Liberal Democratic party was on a scale that must make Mr Hashimoto's early departure inevitable. The more difficult question is whether it will make much difference.

It does not require powers of divination to explain the LDP's defeat. Rising unemployment, a record level of bankruptcies and growing insecurity were a classic recipe for disaffection in a country where confidence in the policymaking elite has long been at a low ebb. The chief uncertainty turned on whether Japan's high number of uncommitted voters would protest by staying at home or by voting for one of the numerous opposition parties. In the event they chose to make an active protest. The LDP's share of the vote fell from 61 out of the 126 seats being contested to just 44.

It is easy now to forget that Mr Hashimoto pursued bolder policies than most of his predecessors. But the no-confidence vote was still richly deserved. To have pinned his colours to the mast of fiscal orthodoxy when Japan's biggest economic problem was one of deficient demand was singularly ill-judged. The Ministry of Finance must share the blame for a premature tightening of policy last year. But when Mr Hashimoto finally acknowledged the folly of this move, he offered reflationary measures that were both timid and poorly presented.

What is now needed in Japan is a clear commitment to fiscal and monetary expansion in order to provide leeway for micro-economic reform. It was always going to be difficult for the author of Japan's Fiscal Reform Law to deliver this. And Mr Hashimoto's prevarication a week before the election over whether his putative new reform did or did not mean tax cuts may well have been the last straw for the electorate.

The importance of this setback for the LDP should not be exaggerated. The upper house has only limited powers to block legislation and the LDP remains firmly in control of the more powerful lower house. Whoever replaces Mr Hashimoto has been given a mandate to pursue radical measures to address Japan's problems.

Yet none of the obvious successors in a divided LDP looks likely to abandon the purely reactive style of crisis management that has prevailed since the bursting of Japan's economic bubble. The voters have sent the right signal. But that is no guarantee of the right outcome.

Aiding Russia

Russia needs enough outside help to ease the financial panic now threatening it. It should be given not because Boris Yeltsin is a convinced reformer, nor because his new government is bound to keep its promises. Russia should be supported because, with assistance, there is hope of stability and reform; without it, there is none.

Russia'e foreign exchange reserves are far too small to hold the rouble exchange rate against the dollar. These doubts are pushing domestic interest rates to unsustainably high levels. Since investors know that what is unsustainable cannot last, the result of their caution makes them still more cautious. The end must be a devaluation.

The question is whether what follows would matter to the world at large. It would. The devaluation would almost certainly be uncontrollable; inflation would soar; and the government would fall. The chances that its replacement would be more democratic and pro-reform are zero. Far more likely is a regime of protectionists, *dirigistes* and xenophobes.

Even so, help would be pointless if there were no hope of success. Fortunately, Russia's plight is not that bad. Russia may not have achieved as much as optimists hoped, but it has come far further than pessimists think. Moreover, the new government consists of the most single-minded and determined group of reformers to hold office since 1992. Its achievements ultimately depend on events outside its control. But it might make substantial progress, provided it survives the next few months.

What is needed is an aid package capable of giving the needed breathing space. The assistance should be large enough to be convincing. It needs to stabilise the rouble and finance the budget. A large amount needs to be added at once to the reserves. In addition, budgetary support should be provided in tranches, contingent on performance. The total package should be $20bn, to be convincing, and come not just from the International Monetary Fund and the World Bank, but also from governments and private lenders.

The only question for the outside world to answer is whether a chance of success is to be preferred to the certainty of failure. The answer is obvious. IMF technocrets now in Moscow should be asked to frame e sensible list of policy conditions. But it is the job of the world'e political leaders to make the decision on whether to lend. They should give the new government the breathing space it needs. There is simply no sensible alternative.

Magic feet

It is a commonplace that globalisation poses e threat to national identity. Yet for the past few weeks the World Cup has allowed soccer fans to express extremes of nationalistic sentiment in a contest where the rules are global and the most valuable players operate on a transnational basis.

Like big corporations, soccer clubs buy assets from all round the world; top players sell their human capital wherever it is most remunerative. The practical upshot is that Europe's best clubs attract something not unlike a specialised form of inward investment. How do we explain the co-existence of raging nationalism on World Cup terraces with a market in which immigrant labour is welcomed by the masses?

An economist might argue that globalisation has *led to* an increase in the returns to skilled labour. And this labour is very highly skilled. Like opera's top tenors, soccer's most talented players work in a world where the rewards are highly polarised. A perfectly honed set of vocal chords or a pair of feet with a magical propensity to propel a ball into a net meet with disproportionate approval.

This leads to inequality; and some argue that television-induced commercialisation of soccer loads the dice against poorer fans. Opera buffs for whom Britain's Royal Opera House has long been a financial no-go area will recognise the argument.

Yet by the same token the price signals in the global market place provide a huge incentive to people in poorer countries quite literally to pull themselves up by the bootstraps. (*Intriguingly*, players from Africa and Asia have responded to these signals much later than those from Latin America and eastern Europe.)

Against that background the World Cup provides a splendid opportunity to shake a fist at the forces of globalisation and to pull full-throated nationalism out of the box into which it has been stuffed by the profit motive. But this is far from being a continuation of diplomacy by other means.

Give or take some thuggery at the margin, the performances in the present World Cup have been sufficiently inspirational to produce emotions that border on catharsis. For the fans, the referees and coaches fulfil a similar dramatic function to the pantomime villain.

A dour Scottish soccer manager *once* remarked that the game was not just a matter of life and death; it was more serious than that. The past month has offered a relatively civilised opportunity to delight in the world's most popular sport. There are worse ways to indulge a sense of national identity.

FT INTERVIEW ROBERT RUBIN

US eyes the Asian storm

The US Treasury secretary tells Gerard Baker and Stephen Fidler that every country is dependent on every other and with that goes responsibility

Robert Rubin is a man under pressure. *From* his vantage point as US Treasury secretary, he has seen Asia's financial slump broaden to envelop other emerging markets, including South Africa. He has spent the past week getting to grips with bold recovery plans in Russia and Japan. The aid programme for Russia is in readiness but reform in Japan is in doubt.

The stunning electoral reversal for the ruling Liberal Democratic party in Japan has plunged the country's politics into deep uncertainty – and cast a shadow over the government's chances of pushing through changes that Mr Rubin has deemed essential for Japan and Asia.

All this is beginning to slow US economic growth: the question is no longer whether there will be a US slowdown but how big the impact of the Asian crisis might be. It has also thrown up a fundamental challenge to Washington's approach to international economic policy that Mr Rubin has championed in his five years as US Treasury secretary. If this were not enough, financial markets have been reacting to rumours that Mr Rubin may be about to quit his Treasury post.

But, in an interview given after his week-long trip to Asia (but before the scale of the LDP's reversals became apparent), the former investment banker maintains his celebrated trader's cool, and gives no hint that his tenure may be about to come to an end.

He has just surveyed the damage first hand on a trip to Asia, and is eager to drive home what he sees as one of the great lessons of the crisis – that globalised financial markets have created a new world order in which governments, not just markets, have become interdependent.

"The reality is that every country has an interest in the economic policies of all other countries. It's different from how it used to be 10 or 20 years ago. [Governments'] behaviour can very substantially affect the rest of the world. That creates another type of responsibility, not only to their own citizens but to the citizens of the world."

Mr Rubin's conclusions are not abstract musings on the nature of the global economy. They are directed above all at Japan which Mr Rubin now believes, more emphatically than ever, holds the key to the resolution of Asia's and indeed much of the world's financial problems.

Yet even since he spoke, the ability and willingness of the Japanese government to respond has been thrown into further confusion by the heavy defeat suffered by the Liberal Democratic party in yesterday's Upper House elections. This has cast into grave doubt the political future of Washington'e main interlocutor in Tokyo: Ryutaro Hashimoto, the Japanese prime minister who may have to cancel a visit to Washington later this month.

"Talking to governments that are very seriously pursuing difficult policies, talking to business people in the area, you get a strong sense of just how central Japan is to their well-being and just how concerned they are about Japan getting back on track and taking the kind of measures needed," he says.

Mr Rubin says the surprise decision by the US to support the yen three weeks ago, was effective in hurrying the Japanese government. He says the intervention was part of e programme of measures that included commitments from the Japanese and statements of support from the US that were intended to get the Japanese to act.

"If you look at the whole programme, it accomplished what we wanted, which was to get a focus on Japan – the imperative for Japan to do what it needs to do to get its economy back on track, particularly . . . with the problems in its banking sector."

He echoes remarks by his deputy, Lawrence Summers, last month that the intervention gave Japan a "window of opportunity" but says that window will not be open for ever. "What we have is a period during which the world and the markets are waiting for Japan to act." The penalties of not acting promptly are severe, he adds.

The outline of banking reforms announced by Mr Hashimoto earlier this month was a step in the right direction, he says, but the US administration wants to see how the proposed new "bridge bank" will work. The bank's main task will be to close down insolvent institutions aggressively – a very welcome move, says Mr Rubin. But that will not be enough on its own.

"The key is that all these kinds of things happen and not that there be some kind of equivocation that doesn't accomplish the purpose of shutting down the bad banks and getting the bad loans off the books of banks that have large numbers of them," he says

Mr Rubin says the US intervention to prop up the yen was not, contrary to reports, motivated by Chinese concern before president Bill Clintoo's recent visit to China. "We were very much influenced by the impact on Japanese economic conditions and also the decline of the yen on the region, bot not affected by anything the Chinese said or did."

'You get a strong sense of just how central Japan is to [governments'] well-being'

Nonetheless, China was and is making an important contribotion to regional stability by *something in here (HP) *
its decision not to devalue its currency. In his conversations with senior Chinese officials during Mr Clinton's visit, China showed a strong commitment "to their judgment that maintaining the renminbi was in their interests. That carried more weight than simply suggesting they would maintain the exchange rate."

China's growing role in the world economy was reflected in the increasing exchanges between US and Chinese officials. "For example three years ago, they were very infrequent communications between this Treasury department and China. Today our people e-mail or call at least once a week and probably in many weeks more than that."

Mr Rubin's Treasury has, with the International Monetary Fund, been the main outside body intervening in Asia's financial crisis – and has been the subject of a growing chorus of criticism from inside and outside the region. Although he has been accused of taking e dogmatic approach, Mr Rubin's response to this criticism is not dogmatic.

"You have an unprecedented situation. You heve e large number of countries with some difficulties – difficulties that interact with each other. You have Japan, the *second largest* economy in the world, not doing well and now actually in recession. You have all this in the context of true global financial markets thet you didn't have 10 to 15 years ago and at a time when there have been vast flows of investment and credit into the developing world."

"My view is that there are no sure answers in that context," he says. There had to be an "extremely pragmatic" case by case approach. That would involve "seeing in each country where its problems lay and dealing with those problems in a way that was designed to re-establish confidence, recognising that was not going to happen quickly."

"That's basically what the IMF has been doing. I think they have done o good job in the context."

Mr Robin, a former partner at Goldman Sachs, has also been eccused of being part of what Jagdish Bhagwati, an economics professor et Columbia University, has described as the "Treasury-Wall Street complex". According to Mr Bhagwati, this has foisted on the IMF and on the world the mistaken idea that opening economies to free flows of capital is invariably e good thing.

But Mr Rubin says: "My views have not changed. I think opening capital markets is good." Controls on flows of capital were too often advocated as the answer to problems that could only be eddressed by significant structural and macroeconomic reforms, he says.

He also defends raising interest rates as one response to a currency crisis. By not raising rates, "you run a risk of a serious further depreciation of your currency," he says.

Mr Rubin was interviewed in his Treasury office after a meeting in the White House on Russia, which is in difficult discussions to secure an IMF-led credit package of at least $10bn-$15bn to stave off a financial crisis.

But Mr Rubin wishes to be circumspect: "The world has an enormous interest in seeing Russia succeed economically. And we are very focused on that."

One commonly cited concern, shared by Mr Rubin, is that with the crises in Asia and more money being demanded by Russia, the IMF is running out of resources to help.

But an increase in IMF funding that would cover this shortfall is currently stuck in the US House of Represeotatives. Mr Rubin says he has tried numerous permutations over the past six months to secure Coogressional support for IMF funding.

Still, if international financial turmoil is bringing new challenges, on the domestic American economy et least, Mr Rubio remains sanguine. The US has enjoyed two years in which the economy has grown above its trend rate. Without a slowdown soon, some economists believe, wages and prices are certain to accelerate.

But Mr Rubin is quick to point out that, in spite of repeated warnings, inflation remains dormant. Though he also dismisses talk of deflation, he says business people he meets continue to tolk about their inability to raise prices in competitive markets.

"There is an almost universal view across business that they can't do much with prices . . . I cannot remember hearing a business person say to me that they though there was e real risk of a resurgence of infletion."

OBSERVER

Soaking up the voters

You've laid out your beach towel, rubbed in the suntan lotion and started day-dreaming about a lunchtime beer and sausage – when Helmut Kohl blocks out the sun and asks for your vote.

It's a fate which, any day now, could befall hapless tourists on Germany's northern coasts. That's because it's election year and the German chancellor has decided to interrupt his Austrian summer *holiday with flying visits* to the seaside.

Kohl is targetting the North Sea and offshore islands, the Baltic coast and the upmarket island of Sylt. Each sortie – the first is this week – *will be on Wednesdays, so* sunseekers have been warned.

Elsewhere, the chancellor's campaign is already in trouble. In an effort to win over *disgruntled* voters in the former communist east, the Christian Democrats have launched the Neue Bundesländer Illustrierte, a *magazine* published, written and paid for by the Kohl camp and, unsurprisingly, praising their leader's efforts to help economic *recovery* in the troubled region.

The magazine's appeal, the CDU claims, lies in its uncanny similarity to the Neue Berliner Illustrierte, e popular magazine in the old east Germany. But the rights to the NBI title are owned by a Munich publisher and the party was forced to stop the presses and seek an out of court settlement. The opposition Social Democrats are overjoyed, not least because the CDU gave the print contract to a *company in Dresden – in which* the SPD has a 40 per cent stake.

Snubbed out

Here's a test of diplomatic *protocol. Should Serbian* ultra-nationalist and one-time paramilitary Vojislav Seselj, now the country's deputy prime minister, be invited to sip *champagne at Belgrade's annual round of embassy garden parties?* Greece invited him to its national day bash, the day after he entered government, explaining: "He's not an indicted war criminal." Italy seems to agree; Seselj's towering *figure was seen bobbing above the* throng in the Italian embassy's palatial grounds.

But two snubs followed. Britain didn't invite him to the Queen's Birthday bash; neither did he get a look-in at the US embassy on July 4. With opinion still divided about whether to punish or woo the Serbs following their crackdown in Kosovo, all eyes are now on the French ahead of their Bastille Day party tomorrow. A Gallic diplomat is the soul of discretion: "We think it is not too polite to say who is e guest and who is not."

Bank on it

Think again, if you believed the whole point of bringing in Emu was to get *rid* of the Bundesbank. Disposing of Bundesbankers is going to prove much harder.

For even if the *nations* joining in the European single currency are *supposed to be equals, some* appear more equal than others. Ask Hans Tietmeyer, Bundesbank president, who *rarely* misses the chance to remind people he's the biggest shareholder in the European *Central* Bank.

Apart from seeing their favoured candidate Wim Duisenberg installed at the top of the ECB, the Germans have also landed other influential jobs inside the organisation. Otmar Issing is chief economist and joins Duisenberg as one of only two directors appointed to a full, eight-year term. Unlike Duisenberg, however, Issing doesn't have to retire early.

At director-general level, foreign affairs has gone to Bernd Goos, who used to head the Bundesbank's foreign relations department. And just to ensure the ECB even looks like the Bundesbank, it's appointed Manfred Körber to run public affairs. He's from the Bundesbank.

Czech mates

Czech voters must be scratching their heads over the power-sharing deal reached between arch rivals Vaclev Klaus and Milos Zeman. The former and future premiers have built their careers on being nasty to each other but now they're acting like old buddies.

Opponents ever since Klaus discovered monetarism, when they were both economists at the Academy of Sciences, their rivalry deepened after the fall of communism; Klaus rose to be *prime minister, leaving Zeman* to skulk in opposition. During last month's election campaign, Klaus warned darkly of a return to socialism while Zeman talked of the scorched earth left by his opponent's centre-*right* government.

Now it's all smiles. Klaus says Zeman is the only opponent he respects while Zeman says if Klaus wins the next election he might *allow him* to lead a *minority* government. Both men are discussing reducing the powers of President Vaclav Havel, who's hardly overjoyed. Perhaps the former writer of absurdist plays *should reflect that the parties are* only following his advice to be less partisan and more co-operative.

Switched on

Rupert Murdoch's former butler Philip Townsend has been telling the British magazine *Punch* all about his dog days with the Digger.

Apparently Murdoch's London penthouse was once e setting for high drama when a suspect package arrived for his boss. The area was cordoned off and a lead-lined bomb disposal expert moved in to remove the suspect package. It was blown up in the nearby park – to reveal a *new remote control* for Murdoch's very own television set.

Financial Times

100 years ago

Dummy Guns Defend Cuba
General Shafter's Headquarters, 12th July. Fighting has continued throughout the day, and at the moment it is believed Santiago de Cuba will be taken within 24 hours. The Americans have advanced steadily all day. In several of the Spanish trenches they found dummy wooden guns, but no soldiers. Only e very weak fire was kept up by the Spaniards. The American officers have received further evidence of the great distress being experienced in the city. This morning, after directing several range-finding shots over the ridge protecting Santiago from the sea, the cruiser "Newark" opened fire on the city with her 8-inch guns.

50 years ago

Strikes in France
Paris, July 11. A general strike of French civil servants, who number about a million, from July 15, the day after the national holiday, is now considered possible, as is also e *widespread strike movement in* industry. The Posts and Telegraphs civil servants have agreed to postpone their strike until Tuesday to allow the Cabinet to take e final decision on the allocation of salary increases.

FINANCIAL TIMES
MONDAY JULY 13 1998

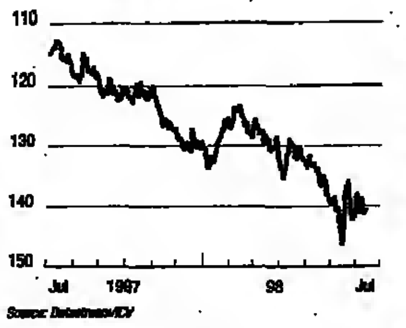
THE LEX COLUMN

Made (and broken) in Japan

Japan's voters have taken their revenge on prime minister Ryutaro Hashimoto for his dire mismanagement of the economy. But will the price of their fury be to pusb Japan deeper into recession?

The Liberal Democrats' stunning setback in yesterday's elections for the Upper House certainly threatens turmoil. Although the Upper House is a talking shop and the LDP remains in power, it will almost certainly have to chose a new leader: Mr Hashimoto's credibility has beeo destroyed. This uncertainty will make the yen and the Nikkei voistile.

Oo top of that, markets will worry whether crucial proposals due for speedy legislation now risk being put on hold. The two main ooes are plans to create a bridge bank to wind up failed banks, and tax reforms. Resolute action on both is essential. Japan's banks, creaking under buge bad debts, have slammed on the lending brakes. The ensuing credit crunch has fed into Japan's other crisis: dwindling consumer demand. Banking reform, at least, bas been articulated. But Mr Hashimoto's successor will have to improve on his predecessor's confusing prooouncements on fiscal stimulus.



Paradoxically, the sbeer scale of Mr Hashimoto's bumiliatioo may be wbat Japan needs. The traumatised LDP may now be willing to allow swift and dramatic action. Anti-Hashimoto politicians, who have called for a loosening of the fiscal purse strings, could now have an unprecedented opportunity to put their criticisms into practice. If so, the markets may remember tbat in other battered Asian ecooomies a change in political leadership was needed to effect economic reform. Japan may be no different.

European defence

Is it groundhog day for the European defence industry? The call from European governments for consolidatioo in the defence sector seems just a more forceful versioo of a similar appeal last December. Has anything really changed? Well, there have been no mega-mergers. But tie-ups, such as that between GEC and Alenia, and British Aerospace and Saab, have accelerated consolidation on a piecemeal product basis.

While useful as stepping stones, these cross-border links are not the best solution to the overcapacity and competition facing Europe. Only real consolidation can provide that. But replicating the US model of public companies pursuing shareholder value througb mergers remains politically tough: the European Aerospace and Defence Company (EADC) still looks a long way away.

Nonetheless, there are signs of what could he a fruitful compromise. UK defence secretary George Robertson has stepped up pressure on France by trumpeting the merits of using the Eurofighter consortium as a superstructure for a European military aircraft company. The logic is certainly there: significant savings are available in the £42bo Eurofigbter project if the various partners join forces before making separate investments. Ownership issues also look easier to resolve than in France's Airbus-centred solution.

However, since France has an important rols in Airbus through Aerospatiale, but none in Eurofighter, political opposition in Paris is likely. Threat of isolation could provoke the necessary changes to make the EADC possible.

Euro fiscal policy

The European central hank is starting to bark more loudly. The doors only open next January, but president Wim Duisenberg is already lecturing miscreants who show signs of straying from the path of fiscal rigour. Belgium and Italy are getting the whisper treatment and Ireland has also been told that tigbter fiscal policy is necessary to avoid overheating when interest rates fall.

But what if, say, the Irish decide to enjoy their good fortune? Will European rates he higher than otherwise? That seems most unlikely. Germany and France account for around two-thirds of economic output. It is a safe assumption that ECB monetary policy will be set to suit them. And here the inflation outlook is wholly benign. Asia continues to exert a deflationary effect, and the competitive forces unleashed by monetary union will have a powerful downward impact on prices. For now, Mr Duisenberg's bark is likely to be stronger than his bite.

Greece

The latest bout of Asian nerves has put pressure on the rouble and the rand, but oot the drachma. The contrast with last October – when Greece was also in ths firing line and interest rates had to rise to nearly 30 per cent – is sharp. This time round, the drachma is actually appreciating. The reason is clear enough: since its announcement in March that it planned to join Europe's Economic and Monetary Union in 2001, the country has been protected from Asian turmoil by Emu's cordon sanitaire. Financial markets view it as a convergence play, not an emerging market.

All that is fine and good – provided it does not lead to complacency. Greece's fundamentals are not bad but not great either. Inflation and the budget deficit, Greek weaknesses, are coming under control. The government is pushing ahead with privatisation and labour market reform. The snag is that these policies do not have the backing of the government's left-wing supporters in the country, with the result that there is a tendency to water down proposals. Not enough is therefore being done to improve the competitiveness of an economy that still depends heavily on European subsidies.

The betting must be that the government will do enough to enter the euro club – in which case the convergence play still has some way to go. But Greece should beware that, if doubts emerge about its chances of entry, the markets' reaction could be vicious. Hence, it should aim not just to squeeze into the club but to build in room for error.

Chinese growth targets in doubt as retail prices fall

By James Kynge in Beijing

China's retail prices fell 3 per cent in June compared with the same month a year ago, the steepest monthly retreat since a deflationary trend began nine months ago.

The fall raised fresh concerns over whether the nation's 8 per cent growth target can be attained. Yesterday, the government indicated it would delay planned housing and enterprise reforms. These have been pushed by Zhn Rongji, the prims minister, but have made people fearful of higher housing costs and losing their jobs and therefore wary of spending.

Economists said that deflation, which used to be seen as a symptom of weak demand, had now become a cause; consumers were waiting for prices to fall before huying. In the first five months of the year, retail prices fell 1.9 per cent against the same period in 1997. The declins in prices showed that government attempts to stimulate the economy through infrastructure spending had not yet worked.

A decree from the State Economic and Trade Commission ordered "random" selling of small state-owned enterprises to be stopped. Reforms to medium and large enterprises were not covered by the decree.

The sale of small state enterprises in many parts of the country had confused people and "seriously affected" the social stability of some areas, ths decree said. It recommended the merger and restructuring of such enterprises rather than putting them up for auction.

Housing reform, under whicb state-subsidised housing was to be abolished from July 1, has also been postponed in many parts of China, the official Workers Daily newspaper said. Beijing will wait until the end of the year before raising rents on stats bousing. Economists said expectations of having to buy or rent living space were dissuading people from spending.

There was no evidence that the postponement of reforms had hit the prestige of Mr Zhu, who pledged in March to blaze his trail regardless if ahead of him there was a "minefield or an abyss". Officials said Mr Zhu was continuing to pursue the streamlining of the bureaucracy, another of his reforms.

Reform of the financial sector also appeared to be going ahead. A finance official said new regulations on the closure of illegal financial institutions were soon to be announced. He added that it was possible that some non-bank financial institutions, sucb as international trust and investment corporations, might be closed because of heavy debts.

A third of these corporations, many of which are allied to regional authorities, were unable to repay their debts, the official said.

Such problems, coupled with weak consumer demand and declining export growth, were raising doubts about whether China could attain its 8 per cent growth target this year.

The finance official said Beijing planned to increase the issne of bonds later this year to raise funds for infrastructure investment. This would help to kick-start economic activity.

Orangemen are urged to end stand-off after child murders

By John Murray Brown and Robert Wright in Drumcree

Ths Orangs Order was under pressure last night to end the week long stand-off between protestant Orangemen and security forces in Drumcree, Northern Ireland.

A leading Orangeman called for the protest to be lifted after the murder of three young brothers from a mixed faith family, killed in their beds in a firebomb attack at Ballymoney, county Antrim.

The Rev William Bingham, a member of the Portadown Orange Lodge four-man delsgation, whicb met Tony Blair, UK prime minister, last week, said "a 15-minute walk would be a hollow victory in the shadow of the coffins of three children".

David Trimble, Northern Ireland's recently elected first minister, also appealed to the protesters.

He said: "The only way they can clearly distance themselves from these murders and show to the world that they repudiate those who murder young children, the only way to repudiate that is to come down off ths hill." Mo Mowlam, Northern Ireland secretary, urged Orangemen not to make Drumcree "the last stand".

The collapse of proximity talks arranged by Ms Mowlam and the UK prime minister's chief of staff, Jonathan Powell, between the Drumcree nationalists and Orangsmen in Armagh on Saturday had already raised tensions.

Police fear that the climax of the marching season today could see thousands of Orangemen converge on Drumcree.

Mr Blair yesterday had several conversations with Ms Mowlam and Mr Powell. Robert Saulters, grand master of the Orange Order, was last night in Portadown talking with local Orangemen in a bid to resolve the crisis.

The "freedom camp" which was established outside Ms Mowlam's official Hillsborough residence was yesterday called off, and the Orangemen left behind a token bunch of flowers.

However, reaction at Drumcree was more sceptical. Dsvid Jones, spokesman for the Portadown lodge, said ths Rev Bingham had "little infloence".

Officials from three other county Armagh lodges said they would continne to support the Portadown brethren in their demands to take their traditional parade route through the local Roman Catholic housing estate.

The Portadown Lodge had earlier failed to get approval from the Parades Commission to reverse its decision banning the march.

Meanwhile, in Belfast, nationalist residents said they would stage a peaceful protest in response to the killings at today's controversial Orange Order march along the lower Ormeau road, allowing the police to scals back their security operation in the area.

Bertie Ahern, the Irish prime minister, urged nationalist residents "if they do have to have protests, they should be ordered and within the law, and they should do nothing to up the tension".

Hope is raised, Page 6

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Islamic Jihad members burn Israeli and US flags at a Palestinian rally in Gaza. US backs Israeli withdrawal terms, Page 4 Reuters

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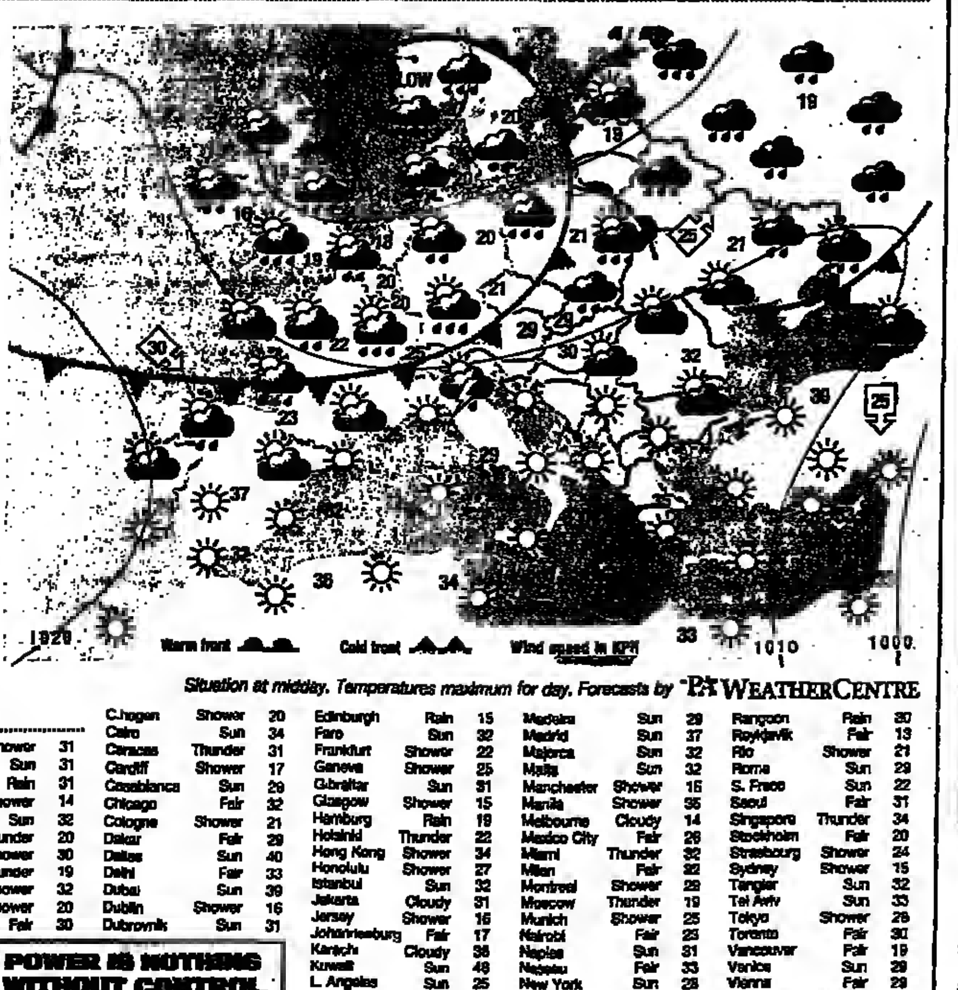
FT WEATHER GUIDE

Europe today

Showers across northern France, the Low Countries and Germany will move southwards, reaching the Alps by this afternoon. Southern Scandinavia will be cloudy with spells of heavy rain and gusty winds. The far north will have some sunshine, but the Baltic states and western Russia will be cloudy and wet. Showers are likely across the north of the Iberian Peninsula later today, but the rest of southern Europe will remain dry and hot.

Five-day forecast

Atlantic fronts will continue to bring rain across northern Europe. Southern France, eastern Spain and northern Italy will have thundery showers tomorrow, but high pressure will bring a return of fine weather to the Mediterranean region from Wednesday onwards.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Fair	39
Accra	Fair	28
Algiers	Sun	39
Amsterdam	Fair	18
Athens	Sun	35
Atlanta	Shower	29
B. Aires	Sun	18
B.ham	Shower	17
Bangkok	Shower	31
Barcelona	Sun	31
Beijing	Rain	31
Belfast	Shower	14
Belgrade	Sun	32
Berlin	Thunder	20
Bermuda	Shower	30
Bogota	Thunder	19
Bombay	Shower	32
Brussels	Shower	20
Budapest	Fair	30
C.hagen	Shower	20
Cairo	Sun	34
Caracas	Thunder	31
Cardiff	Shower	17
Casablanca	Sun	29
Chicago	Fair	32
Cologne	Shower	21
Dakar	Fair	29
Dallas	Sun	40
Delhi	Fair	33
Dubai	Sun	39
Dublin	Shower	16
Dubrovnik	Sun	31
Edinburgh	Rain	15
Faro	Sun	32
Frankfurt	Shower	22
Geneva	Shower	25
Gibraltar	Sun	31
Glasgow	Shower	15
Hamburg	Rain	19
Helsinki	Thunder	22
Hong Kong	Shower	34
Honolulu	Shower	27
Istanbul	Sun	32
Jakarta	Cloudy	31
Jersey	Shower	16
Johannesburg	Fair	17
Karachi	Cloudy	38
Kuwait	Sun	48
L. Angeles	Sun	25
Las Palmas	Sun	27
Lima	Cloudy	21
Lisbon	Sun	29
London	Shower	19
Lux.bourg	Shower	20
Lyon	Thunder	26
Madeira	Sun	29
Madrid	Sun	37
Majorca	Sun	32
Malta	Sun	32
Manchester	Shower	16
Manila	Shower	35
Melbourne	Cloudy	14
Mexico City	Fair	26
Miami	Thunder	32
Milan	Fair	32
Montreal	Shower	29
Moscow	Thunder	19
Munich	Shower	25
Nairobi	Fair	23
Naples	Sun	31
Nassau	Fair	33
New York	Sun	28
Nice	Sun	28
Nicosia	Sun	33
Oslo	Shower	20
Paris	Shower	22
Perth	Fair	17
Prague	Thunder	21
Rangoon	Rain	30
Reykjavik	Fair	13
Rio	Shower	21
Rome	Sun	29
S. Frsco	Sun	22
Seoul	Fair	31
Singapore	Thunder	34
Stockholm	Fair	20
Strasbourg	Shower	24
Sydney	Shower	15
Tangier	Sun	32
Tel Aviv	Sun	33
Tokyo	Shower	28
Toronto	Fair	30
Vancouver	Fair	19
Venice	Sun	29
Vienna	Fair	29
Warsaw	Shower	21
Washington	Sun	31
Wellington	Fair	13
Winnipeg	Fair	30
Zurich	Shower	25

FINANCIAL TIMES
COMPANIES & MARKETS
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Week 29

INSIDE

Blockbuster's rivals uneasy over revenue-sharing deal

The recovery of Blockbuster, the video rental chain, is frightening its smaller rivals in the US. Tension is high between Blockbuster, the film studios and the nation's 25,000 independent shops because of a revenue-sharing arrangement developed last year by Blockbuster and the studios. The deal has helped increase Blockbuster's revenue by 10 per cent this year. Page 21

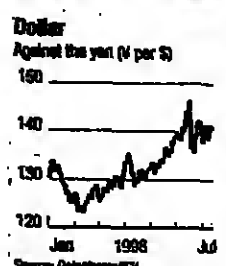
UK dairy farmers hope for price rise

Dairy farmers in the UK are eagerly awaiting the conclusion on Thursday of the first round of bidding in Milk Marque's twice-yearly price setting auction. Milk Marque, the dairy farmers' co-operative, is trying to push up its minimum price from 19p to 21.5p per litre of raw milk. Page 18

Moscow traders reassess market

The mood on the Russian stock market has changed as it has fallen by two-thirds this year, more than erasing 1997's gains. Moscow's battered stockbrokers are wondering if this represents a fundamental reassessment of Russia's risk-reward equation. Emerging markets, Page 21

Attention focuses on yen again



The implications of the results of the elections to Japan's upper house may take several days to work through the forex markets. The elections are important because the yen's recent weakness has helped drag down commodity-based and emerging market currencies. Meanwhile, the rouble will remain in the spotlight after signs that Russia's liquidity crisis is getting worse. Currencies, Page 24

Fate of Hubco hangs on IMF talks

The outcome of talks in Washington between IMF staff and officials from G7 countries over Pakistan's impending debt crisis could further tarnish the image of the country's Hub Power Company. A moratorium could prevent Hubco repaying the foreign portion of its $1.14bn debt. Page 20

Asian bonds caught in vicious circle

The latest deterrent to Asia's bid to develop a regional bond market – credit worthiness – has been brought about by the Asian financial crisis. It is ironic because the region's failure to establish a robust bond market is one of the reasons for the financial turmoil. International Bonds, Page 21

Volatility makes investors cautious

The bull market in trans-European equities continued to stumble as fears about the impact of volatile markets in Asia and Russia encouraged caution. The UK was hard hit as the gilts market edged lower on fears over interest rates. Page 25

Bright prospects for German bourse

The German stock market's prospects remain bright as a result of the widening economic upswing, low interest rates, subdued inflation and the buoyant company profit outlook. But there are some clouds on the horizon. Page 22

FT GUIDE TO THE WEEK

– full listings Page 34

AUSTRIAN PLANS
Austria's Wolfgang Schüssel will tell fellow foreign ministers of European Union nations at a meeting in Brussels today about his country's priorities for its six-month EU presidency. He will outline plans to progress the "Agenda 2000" package.

WTO HEAD HUNT
The Geneva-based World Trade Organisation launches its search on Wednesday for a new director-general to succeed Renato Ruggiero of Italy, who retires next April.

TSAR LAID TO REST
The burial of the remains of Russia's last tsar, Nicholas II, empress Alexandra, their children and several servants takes place on Friday in St Petersburg 80 years after they were executed by the Bolsheviks at Yekaterinburg.

COMPANIES IN THIS ISSUE

MARKET STATISTICS

Deutsche Bank on US expansion trail

German group looks to acquisitions, co-operation and joint ventures

By Andrew Fisher in Würzburg

Deutsche Bank, Germany's biggest bank, is determined to expand its investment banking business in the US through acquisition, co-operation or joint ventures, said Rolf Breuer, the chairman.

"It is essential to have a meaningful presence in the US," he said in a meeting with journalists. "Wall Street is at the centre of capital market innovation. It is not good enough to be a Wall Street watcher. We have to be a Wall Street participant."

Deutsche's original strategy of building a "bulge bracket" investment bank by hiring stars came adrift this year, most recently with the mass defection of its technology investment banking team, headed by California-based Frank Quattrone, to Credit Suisse First Boston.

The German group's investment banking strategy was to "build and buy", in an attempt to become as big in the US as rivals such as Goldman Sachs and Merrill Lynch were in Europe. But this might take five years instead of two as previously hoped.

Mr Breuer said the loss of Mr Quattrone and his team had "hurt" the bank, especially as high-technology, along with media, transport and pharmaceuticals, was among the sectors in which it wanted to grow in the US. "We have to try and fill this gap."

Mr Breuer said the group's markets and asset management operations were all doing well, but Deutsche was determined to invest more in the US to build up its M&A and advisory businesses.

"This could involve an acquisition, but we would have to ensure it was a proper fit," he said.

There were no immediate plans, but Deutsche was looking at all possible candidates, as well as considering joint ventures or co-operation with other banks – "it depends how narrowly you define 'acquisition'".

Asked about rumours that Deutsche might buy Hambrecht & Quist, the US investment bank specialising in technology, he said: "We know them, they are very interesting and a very good firm."

Deutsche could not wait too long to make its next move, but did not want to be under time pressure. Emphasising the need for care, Mr Breuer said statistics showed most mergers were dissolved in five years.

Deutsche had hidden reserves of some DM40bn ($22bn), representing unrealised gains on its quoted shareholdings. Prices of acquisition candidates could fall if the rise in US share prices eased. "Maybe targets will become cheaper."

Mr Breuer said there had been no differences of opinion with Mr Quattrone and his team. They would probably have less independence with CSFB than with Deutsche.

UNITED DUTCH GROUP TO HAVE TOTAL ASSETS OF $238BN

Rabobank and Achmea announce merger plans

By Gordon Cramb in Amsterdam

Rabobank, the Dutch-owned co-operative bank, is to merge with Achmea, a rival co-operative, in a deal that will create a powerful competitor to the Netherlands' leading financial services groups, with assets of Fl 486bn ($238bn).

As a first stage of the merger, which is to be concluded within three years, Rabobank will next January put Robeco, its fund management subsidiary, and Interpolis, an insurance operation, into a joint venture with Achmea's activities. These include Zilveren Kruis, the biggest Dutch health insurer, and Centraal Beheer and Staal Bankiers, which have operated independently within the Achmea grouping.

The initial venture will have Fl 101bn in assets, of which Fl 63bn come from Achmea, but Rabobank may add other businesses in the coming months to even out the contributions of the two sides.

The deal was seen as another setback to ABN Amro, the Dutch bank seeking to broaden its operations within the European single currency zone. It has recently lost bidding contests for CIC in France and Belgium's Générale de Banque, and had reportedly approached Achmea.

In insurance, the accord also mounts a strong challenge to ING, Aegon and Fortis on their home turf. It creates the largest non-life insurer in the Netherlands and the second ranking in life business.

The deal also takes Rabobank into the provision of health cover under schemes linked with the Dutch state.

But Rabobank is to keep its core banking operations outside the interim venture. Some related activities – such as Gilde, its venture capital offshoot – will also remain in a separate group, with assets of Fl 385bn. Rabobank is the last bank to enjoy a triple A credit rating from all the leading ratings agencies without the benefit of some form of state guarantee. The group previously made clear it was prepared to sacrifice this for an attractive deal, but Moody's, the US agency, has confirmed its rating at triple A. Rabobank has continued to hope for an alliance with Kredietbank in Belgium, while warning that such a pact would take time.

Kredietbank has tied up with two other groups as part of a reshaping of the Belgian financial sector that separately saw Fortis acquire Générale.

"Achmea and Rabobank's plans are also a response to the changing balance of power in the financial services market," the two groups said. "All parties in the rapidly evolving European market are increasingly having to operate more innovatively and cost effectively."

Brisk trade likely for Coca-Cola Beverages

Trading in Coca-Cola Beverages shares is expected to be brisk this morning when the new Coke main bottler for central and eastern Europe makes its debut on the London Stock Exchange. After a late surge in demand for the 20 per cent of the equity sold through a bookbuilding exercise, the issue was more than 10 times subscribed when bidding closed on Friday. The shares have been allocated at a price of 160p, the top of the range set for the flotation – valuing the company at more than £1.7bn ($2.8bn). Chief executive Neville Isdell (above) has warned that no dividend is likely for several years. Trading in the new shares on the Sydney stock exchange begins tomorrow. Comment, Page 18 Picture: Colin Beere

Value of cross-border mergers falls by a third in Asia

By Clay Harris in London

Company takeovers have dried up across most of Asia, while cross-border merger activity continues to surge in the rest of the world, according to a survey published today by KPMG Corporate Finance, an arm of the accountancy firm.

The value of cross-border deals in Asian and Pacific countries reached $18.14bn in the first half of 1998, more than a third below the $28.98bn recorded in same period last year, ahead of the regional economic crisis.

There were two exceptions to the Asian trend. In Japan, inward acquisitions soared from $113m to $5.33bn in the first half. In South Korea, the value of transactions rose from $360m to $3.36bn.

But inward corporate investment fell from $6.57bn to $2.53bn in China, from $5bn to $642m in Hong Kong, from $2.19bn to $1.01bn in Indonesia, and from $1.26bn to $209m in India. Deals "virtually dried up" in the Philippines, where they had reached $2.87bn in the first half of 1997, KPMG said.

Latin America and countries in central and eastern Europe also suffered from jitters about emerging markets.

Brazil, the continental leader, held nearly steady, attracting deals worth $4.25bn, but other countries in the region saw large falls. Russia also gained, against the trend among its neighbours.

Stephen Barrett, UK head of KPMG Corporate Finance, said companies "seem to be holding back from investing in most 'newer' markets and are opting instead for more familiar, and less volatile, North American and European countries."

Mr Barrett acknowledged that many deals were going ahead in Asia, but at lower prices, because of the share declines in some currencies. "There's clearly a value issue," he said.

Internationally, the value of cross-border deals reached a record $230.61bn, against $143.9bn in the first half of 1997 and $198bn in the second half. US companies were involved in more than half of total activity by value, leading both as targets – $80.11bn – and as acquirers – $58.43bn.

In spite of a rise in cross-border takeover activity in the eurozone ahead of economic and monetary union, the UK remained the most popular target in Europe.

The value of cross-border acquisitions of UK companies jumped to $47.63bn in the first half, compared with $12.3bn in the same period of last year and the previous six-month record of $43.1bn in second half of 1997. The largest deal was Texas Utilities' $10.4bn takeover of Energy Group, after a spirited battle with rival bidder PacifiCorp.

DANIEL BOGLER
GLOBAL INVESTOR

Bull stirs on Wall Street

Pamplona sprang to life last week as thousands of revellers packed its cobbled streets for the annual running of the bulls. In New York, another, more ageing, bull started to toss its head again after three somnolent months. Perhaps it was the Pamplona spirit. More likely, it was investors shaking off a bout of Asian worries, which had kept sentiment subdued since April. Either way, US equities are back near record levels, with the S&P 500 index up nearly 20 per cent so far this year – not quite matching Europe's pace but pretty satisfactory.

This renewed optimism contrasts with rather grim news on the ground. US corporate earnings are coming under increasing pressure from Asia, the strong dollar, and gradually slowing domestic demand. The warnings include DuPont in chemicals, high-tech firms such as Motorola and Advanced Micro Devices, and retailer JC Penney. They show the problems are spreading across the economy. The second-quarter results season, starting in earnest today, is expected to produce earnings growth of less than 2 per cent, according to First Call, which compiles brokers' estimates. The General Motors strike alone has knocked about 1 per cent off the numbers.

In ignoring these signals, investors are clinging to three arguments, each of which is becoming steadily less convincing. First, they are betting on a sharp earnings recovery. US analysts are still forecasting growth of 8 per cent for the year, implying a much stronger second half, and a breathtaking 18 per cent for 1999. But this looks like fantasy against the background of a slowing domestic economy and the fact that the full impact of Asia has yet to be felt. In reality, it has much to do with Wall Street mechanics – in the absence of accurate guidance from companies, analysts have simply left next year's numbers unchanged. But, as the downgrades filter through over the next few months, expected earnings growth will ratchet down – and investors will have to face reality.

The second argument claims that any disappointment over earnings will be offset by further declines in interest rates – justifying higher valuations and thus leaving share prices unscathed. This has worked beautifully over the past two years as bond and equity prices have chased each other higher, but at 5.5 per cent, the US long bond yield is close to historic lows. With the comparable index-linked Treasury yielding 3.7 per cent, long-term inflation expectations are already less than 2 per cent and it is hard to see them being squeezed much lower. The experience in Japan, where bonds have hugely outperformed equities, shows that the two markets can just as easily move in opposite directions.

The third recourse of the optimists is that liquidity will continue to underpin the market. But this too may be overstated. The growing popularity of bond mutual funds this year suggests that while retail investors do not necessarily sell shares when the market behaves skittishly, they do cut back the amount of new money flowing into the market. Equities now account for a record 40 per cent of household financial assets (excluding real estate), and further growth in that ratio will probably be very gradual.

But even if these arguments prove well-founded, the picture is not all that much brighter. The much-heralded slowdown in the economy would prove rather temporary. That would leave the Federal Reserve with little choice but to raise interest rates to prevent domestic overheating and inflation.

Alan Greenspan, the Fed chairman, has made no secret of the fact that he is worried about growing wage pressures. But he has held off for fear of the turmoil that higher US rates could cause internationally. Any improvement in Asia's fragile economies, however, would give him the leeway to act.

This would have dire consequences for stocks, because most investors are counting on steady rates for the remainder of the year to justify current prices; some are even banking on another cut.

So far the US market has rather nimbly kept to the straight-and-narrow. But the thought of a bull continuing to balance on such a narrow tightrope, will at some point give investors vertigo.

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AUTOMOTIVE INDUSTRY VICKERS SELLS COSWORTH TO VW WHICH AGREES TO SELL ON MOTOR-SPORT DIVISION

Ford agrees to buy Cosworth Racing

By Jonathan Guthrie

Ford, the US motor company, is expected to announce today that it is to buy Cosworth Racing, the motor sport division of high-performance engine maker Cosworth.

The expected purchase would follow hard on the beels of an announcement by Vickers, the UK engineering group, late on Saturday that it had finalised terms for the sale of the whole of Cosworth to VW for £117m. However, the German group is understood to have agreed to sell on the motor sport division to Ford.

VW's purchase of the remainder of Cosworth will provida it with a new source of engines for Rolls-Royce cars, following its £470m takeover of the luxury marque this month.

Last Tbursday BMW, which lost out to VW in the race for Rolls-Royce Motor Cars, gave notice that it would end its agreement to supply engines for Rolls-Royce cars in a year's time.

Tha purchase of Cosworth Racing will be greeted with relief within Ford, which feared that Cosworth's sale to VW would end a relationship lasting 30 years. Engines developed collaboratively by the two companies were the bedrock of Ford triumphs in Formula 1 and US IndyCar racing that were central to its worldwide marketing efforts.

The news is also likely to please Cosworth Racing employees. Ford is understood to have agreed to the unit remaining at its Northampton base.

Commentators on Ford recently dismissed any likelihood that VW would sell Cosworth Racing to its US rival. They said the German group would hang on to the business with the aim of harnessing its expertise to promote Audi, the VW subsidiary which is bnying Cosworth, through IndyCar racing in the US.

Howaver, an executive with knowledge of the deal said: "Audi's real interest is in the three other divisions in Cosworth, which can be used in its mainstream businesses."

The sale price of £117m agreed between Vickers and VW for the whole of Cosworth is close to original estimates. It consists of £107m for the assets of the company, valued at £59m at the beginning of May, and a further £10m for assets previously leased to Cosworth by Vickers.

Cosworth produced operating profits of £5.8m in 1997 on turnover of £116.9m, which included sales of £18.3m to Rolls-Royce Motor Cars.

Vickers said it would use the proceeds of the sale to support its core activities in marine technology, turbine components and defence systems.

Finelist proposes Partco merger

By Jonathan Guthrie

Finelist, the acquisitive car components distributor, has approached rival Partco about a possible merger.

Combining the two businesses through a merger or takeover would create a business capitalised at more than £400m with 17 per cent of the fragmented car parts industry.

A combination is thought likely to appeal to shareholders in Finelist and Partco because there is considerable scope for costs saviogs. Several large institutions bold stakes in both companies.

Pulling together Finelist and Partco would be the culmination of a series of deals engineered by Chris Swan, chief executive of Finelist. in March the group bought Lucas Service UK and Independent Parts Group, two car components makers, for £33m and £38.4m respectively.

Partco recently said that it was also interested in growth through acquisitions. In March it bought the European operations of Dana, the US car parts company, for £103m.

Finelist is believed to favour a merger with Partco in which shareholders in both groups would gain stakes in the new entity.

Speculation over the weekend suggested Partco bad rebuffed the approach from Finelist, because its board, led by chief executive Philip Wragg, chief exective, wanted the company to remain independent. However Partco is understood to still be considering the proposal.

If a merger is impossible, Finelist is thought to be unwilling to pay a premium of more than 30 per cent for Partco, valuing the business at no more than £305m.

The merger approach is said to have been triggered partly by a profits warning issued by Partco at the end of last month. Partco said first-half profits would be below City expectations because the mild winter had cut demand for brakes and radiators, and because demand for second-hand cars was falling.

The sbares fell 40p to 196½p on cuts by analysts in 1998 pre-exceptional profits forecasts from £30-£31m to £28m-£29m.

Finelist is expected to prodnce similar profits to Partco, of £28m to £30m in the year to June 30. However, it is capitalised at about £245m, compared with £158m for Partco, reflecting a much higher level of expected earnings per share growth.

Relations turn sour at the top of the dairy industry

Maggie Urry looks at the increasingly bitter battle between Milk Marque and processors to control the price of milk

The cards are being dealt this week for a high stakes game of poker as dairy farmers attempt to squeeze a price increase from the processing companies that buy their milk. The winners will scoop the slim profits to be made in an industry under pressure.

Neither side is revealing its hand, but both are indulging in bluff and counter-bluff ahead of the conclnsion on Thursday of the first round of bidding in Milk Marque's twice yearly price setting auction, for deliveries beginning in October.

Milk Marque, a dairy farmers' co-operative, collects and sells more than 40 per cent of the milk produced in Britain, and its selling price acts as a benchmark for the rest of the UK's milk. It is trying to push up its minimum price from 19p to 21.5p per litre of raw milk.

The prospect of higher raw milk prices has depressed the dairy processors' share prices in recent weeks, as investors recall the profit falls they suffered when milk prices rose after the industry was deregulated at the end of 1994.

Relations between Milk Marque and the dairy companies, often bitter, have never been worse. Milk Marque has increased the tension in this auction by tearing op bidding rules agreed with the Office of Fair Trading in 1996, even though the Monopolies and Mergers Commission is in the middle of an inquiry into the supply of raw milk.

One dairy industry executive said: "Milk Marque has shot itself in the foot with the MMC. It has been accused of being a monopolist and now it's proved it is one."

The most important of these rules was that Milk Marque could not closa a selling round until at least 90 per cent of its milk had found long-term buyers. If demand totalled less than 90 per cent, Milk Marque had to cut its prices and hold a further round of bidding.

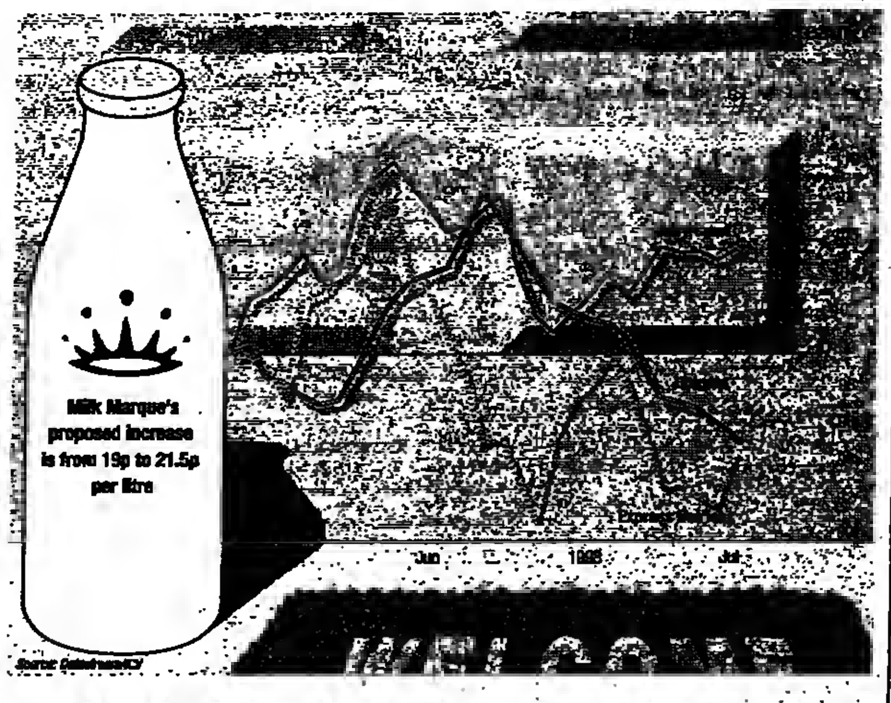
In the last auction, in January, it took four rounds to bring the price down to a level that attracted sufficient buyers.

Paul Beswick, managing director of Milk Marqua, would not be drawn on how Milk Marque would respond if the level of hids is low.

But that may be what will happen. Analysts believe the processors could eimply stand back from the Milk Marque auction and depend on raw milk supplies from other sources while stopping production of long-life dairy products.

Neil Davidson, chief executive of Express Dairies, one of the six large raw milk buyers, said: "Commercial logic suggests there should be very little demand [at 21.5p a litre]."

The crunch would be over milk sold in liquid form or turned into short-life products. Raw milk must be processed within 36 hours of being prodoced or it is worthless. If Milk Marque fails to agree long-term contracts with buyers, it will be forced to sell on the spot market and be at the mercy of the market.



Jim Begg, director general of the Dairy Industry Federation, which represents the processors, said: "If buyers are discouraged from bidding because of the high quoted prices then this will be to the disadvantage of farmers who may find they have no outlet able to take their product".

Milk Marque believes its tactics are the best for its dairy farmer owners. Sharp falls in the price farmers get for their milk over the last 18 months, from about 25p to 18p per litre, have savaged their profits, which fell 35 per cent last year. Many regard 20p a litre as the minimum price at which the average dairy farmer can make a profit.

Meanwhile the margins of the processing companies and the supermarkets, have been bolstered and, says Milk Marqns, consumers have seen no reduction in the price they pay.

The processors argue that they have simply rebuilt margins that were squeezed after deregulation, when bidders panicked in Milk Marque'a auctions and pushed the price up. They say there is no market justification for a price increase and they cannot afford to pay more for their milk supplies than their European competitors do. Farmers should blame the strength of sterling, not their customers, for the milk price fall, they argue.

Milk Marque has riled the dairy companies further by announcing plans to build its own processing capacity to absorb the milk its customers refuse to buy. The processors say Milk Marque could use this capacity to manipulate prices, while Milk Marque argues it is merely providing the investment in the industry that the dairy companies have failed to make.

The answer may be thet there is simply not enough profit to go round while sterling remains strong. The advantage has swung from farmers to processors in the last 18 months. It is hard to believe that Milk Marque'e brash attempt to swing it back will work this time round, or that it has improved its chances of surviving the MMC investigation unscathed.

Whoever holds the winning hand on Thursday, it will by no means be the end of the game.

Central European follows sector buy-back trend

By Jean Eaglesham

Central European Growth Fund, with about £140m of assets invested mainly in eastern Europe, has become the latest in a series of investment trusts to announce plans to buy back shares.

Buy-backs are seen as a potent weapon in managers' attempts to reduce the excess supply of shares in tbe £60bn sector and so potentially cut the wide discount between the typical trust's share price and the value of its underlying assets.

However, Glen Wellman of Credit Suisse Asset Management, which manages Central European, said the "evidence on the long term effect on discounts is unproven – the buy-back is primarily to enhance the net asset value". A buy-back can increase the asset value of the remaining shares if the trust trades on a big discount, since it is effectively buying its own assets for less than their face value.

Buy-backs are not enough to save every trust, however. The continuing contraction in the sector is forcing some to wind up.

Scottish Asian Investment Company, which specialises in Asian stockmarkets, has persuaded Millennium Offshore Partners, a hedge fund which bought a 20 per cent stake in it in March, to drop its request for an immediate meeting of shareholders to vote on winding it up. But the reprieve is likely to prove temporary.

Shareholders will be abla to vote on whether to wind up Scottish Asian at their annual meeting in October. The trust has also decided to offer them a vote on whether it should abandon its investment trust status and become open-ended by the end of November – an option which Scottish Asian's board now says it views as an "attractive outcome". China Investment Trust, a tiny fund with assets of just £9.1m, has also decided to abandon life as an investment trust. Bnt the terms may raise shareholders' eyebrows – the proposed deal will cost about 10 per cent, including a pay-off to Jupiter Asset Management, whicb runs the trust.

Baring Tribune may face attack on proposals

By Jean Eaglesham

Baring Tribune, the £360m investment trust at the centre of a bitter takeover battle, could face a barrage of criticism when it publishes its long-awaited restructuring proposals on Friday.

A number of the trust'e institutional shareholders are increasingly unhappy about both the delay in prodncing tha proposals, originally promised for early June, and the perceived bias of the Barings-infinenced board towards its incumbent manager. "There are eo many aspects of this that are just so bad for the sector," said one analyst.

The Baring Tribune board has characterised the fight over the trust as a battle between small shareholders and the sector's predators. Advance UK, the "vulture fund" which targets trusts whose shares trade on a wide discount to the value of their underlying assets, was one of three ebareholders that in March initiated the battle for the trust.

"Whatever we do is not going to be perfect for all individuals. The board is responsible to all shareholders, not just some noisy ones at Advance UK," said Cazenove, which is advising the trust.

But some institutions are muttering that the board may be paying more attention to the interests of Baring Private Investment Management, which runs the trust, than shareholders. They point out Barings is linked to a stake of 29 per cent of Baring Tribune via its private clients or pension funds. One of the shareholders said: "It all just feels a bit unsatisfactory. It'a not helped by the length of time that has been taken. My concern is that we have not yet seen a deal."

Baring Tribune rejected approaches from three suitors – Edinburgh UK Tracker, Fleming Claverhouse and Legal & General – in May in favour of its own scheme. This will give shareholders a choice of a scaled-down version of the current trust run by the same manager, a linked tracker fund that will shadow the FTSE All-Share index, run by Barclays Global Investors, and a limited cash exit.

Berisford set for £14m purchase

By Arkady Ostrovsky

Berisford, the kitchens and kitchen equipment group, is today expected to announce its first acquisition in a £200m expansion programme over the next six months.

The company, which comprises Magnet, tha UK kitchens and joinery group, and Welbilt, the US supplier of cooking aquipmant to McDonald's, is set to pay £14m for CP Hart, an upmarket bathroom distributor in south-east England.

Hart would reduce Magnet's dependency on its traditional areas, where sales have been slow in the past six months, and allow it to move into a higher-margin market. The company has net assets of £2m and last year made pre-tax profits of £2.4m on turnover of £15m.

The deal, which is expected enhance Berisford's earnings, is likely to surprise analysts who believe the group should be concentrating its investment on Welbilt.

Bnt most of the subsequent acquisitions are expected to be on the cooking equipment side of the business. Over the next two months Berisford is likely to spend £60m buying private companies in the US and Europe, and will bring its total spending to £200m by the end of 1998.

The expansion, is part of an effort by Alan Bowkett, chief executive, to turn Berisford, the former commodities trading conglomerate with a troubled past, into a leading supplier of catering equipment to large international food chains.

Welbilt already accounts for 61 per cent of Berisford's sales and for 75 per cent of its operating profits. The acquisitions are expected to increase Welbilt'e contribution to operating profits to 80 per cent in the next financial year.

Pressure to raise offers to Names

By Christopher Adams, Insurance Correspondent

Lloyd's members' agents representing the interests of thousands of Names are putting pressure on underwriters at the insurance market to raise offers they have made to buy Names' interests.

The independent advisers to a group of nine members' agents handling the affairs of some 70 per cent of unlimited liability Names, tbe individuals wbose assets have traditionally supported Lloyd's, have beld back from endorsing offers for several leading syndicates, the trading units which underwrite risk. Noble & Co, the Edinburgh-based investment bank, bas been advising mambers' agents including Anton Jardine, Murray Lawrence, Christie Brockbank Shipton, Stace Barr, and Falcon.

Its own analysis of offers by Wellington Underwriting and Cox Insurance, two Lloyd's underwriting agents, is thought to have concluded that offers for several of the syndicates bave been pitched too low.

Noble & Co's views may be influential because of the number of members' agents that have sought its advice. The bank has been belping in negotiations with underwriting agents where those have occurred. This week, Names will receive letters detailing its views.

The bank bas given its support for an offer made by Cox for one of the three syndicates over which it is trying to acquire control. It backed Cox's bid of 22p in casb for each pound of capacity on syndicate 1485, which underwrites a wide range of insurance in the marine, aviation and non-marine markets.

But it has not recommanded that members' agents endorse the bid of 20p for syndicate 218, which writes motor insurance, and the bid of 50p for syndicate 1176, whicb specialises in nuclear power stations.

Noble & Co is also thought to believe that an offer from Wellington Underwriting at 18½p cash for every £1 of capacity on syndicate 2020, to be created next year by a merger of three smaller syndicates, is too low.

COMMENT

Sears

Naughty Sears. The Hampel committee report on corporate governance criticises the "bundling" together of different proposals for shareholders to vote on. The demerger of Selfridges from Sears does precisely that. Bound up with the demerger proposal is an executive remuneration scheme. The two stand or fall together. For those investors who object to the bundling, is it worth voting against the scheme *in toto*?

Almost certainly not. If Sears' motives were under suspicion, the answer might be different. That is not the case. The executive pay scheme under discussion actually goes to the heart of corporate governance - aligning management and investor interests. Moreover, it was thoroughly canvassed with investors ahead of time. By locking in good managers, it ensures the demerger has a reasonable chance of success. To vote against that would be to impede the best chance investors have of rescuing some value from the Sears wreckage.

That said, any scheme which leaves some shareholders feeling they have been bounced into a decision is flawed. Bob Reid, chairman, may be right when he says the two issues are inextricably linked. But shareholders are entitled to make that decision themselves. Clerical Medical were, therefore, right to fire a warning shot. But having made the point, voting against the demerger would smack of overreaction.

Coca-Cola Beverages

These are not happy times for companies exposed to emerging markets. Admittedly, Coca-Cola Beverages, one of Coke's main bottlers whose shares start trading in London today, is focused on eastern and central Europe. This is not quite as hairy as Asia right now, but still carries risk from Russia's current turmoil. However, such is the magic pull of the Coca-Cola name that Coca-Cola Beverages' shares have been snapped up right at the top of the price range. Investors' thirst for the shares is also due to the relative lack of large new issues this year. Coca-Cola Beverages is providing only slight relief: the parent company, the Coca-Cola Company is hanging on to 50.1 per cent of the equity. Still, having an investor like that will help quell nervousness when the froth subsides and shareholders contemplate the heavy capital expenditure and exposure to the former communist block.

NEWS DIGEST

BUILDING MATERIALS

MBO at Norcros labelling arm

Norcros, the building materials and speciality chemicals business, is expected to announce today that it has agreed to sell Norprint, the labelling business, to its management for £7.9m. A buy-out team led by Eden Douglas, chief executive of the Norprint Labelling Systems subsidiary, and backed by Lloyds Development Capital, will also take on finance leases worth £600,000.

The disposal marks the transformation of Norcros from a conglomerate into a more focused group concentrating on ceramics and speciality chemicals.

Norprint is being sold at a small discount to net assets. Norcros will make a £5m loss on the disposal, which includes £1.6m for goodwill written off. The unit made a £1m operating profit in the year to March 31 on sales of about £27m.

Norcros has meanwhile been released from the immediate threat of a hostile takeover by John Mansfield, a small timber company that is the bidding vehicle of Active Value Investors. This is an investment company run by Brian Myerson, an investor involved in the ousting earlier this year of the board of Liberty, the retailer.

Two weeks ago Mansfield announced its was considering bidding for Norcros, then capitalised at £117m. But following pressure from the Stock Exchange to clarify its intentions, Mansfield said an offer was no longer on the agenda. Despite this, Mansfield is believed to have retained the idea of e takeover as a long-term option. **Jonathan Guthrie**

FINANCIAL SERVICES

ED&F Man expands brokerage side

ED&F Man Group, the financial services and agricultural products group, has agreed to buy the brokerage accounts of the investor services division of First Options, a Chicago options trader. The group is expected to pay about $11.6m (£7m), mostly in profit-related amounts from completion to December 31, 2003. The purchase fits in with ED&F Man's strategy of making small, bolt-on acquisitions to bolster its position in wholesale financial services. Harvey McGrath, chief executive said the group could handle the extra volumes of business from the acqusition using existing capacity in Chicago.

The division made pre-tax profits of $4.4m in 1997, when the book value of assets was $300,000. Its clients are mainly regional brokers which lack their own execution and settlement capability. The vendor is Spear, Leeds & Kellogg, a New York investment company. **Jonathan Guthrie**

HOUSEHOLD GOODS

Prism Leisure declines 69%

Prism Leisure, the home entertainment group that issued a profits warning in September, reported a 69 per cent fall in annual pre-tax profits and admitted it had performed poorly. The wholesaler and distributor of music, videos and computer games, said it had suffered from problems at its German subsidiary, the strength of sterling and the absence of suitable computer games in which to trade.

Turnover for the year to March 31 decreased 7 per cent to £31.1m. Pre-tax profits fell from £2.70m to £832,000 after a provision of £600,000 relating to the planned disposal of the German offshoot. Earnings per share fell 71 per cent to 6.04p. A proposed final dividend of 5p gives a total of 6.38p (7.19p).

SUPPORT SERVICES

Penna makes £12m acquisition

Penna Holdings, the human resource services group, announced a jump in pre-tax profits and the £12m acquisition of Talisman Information Systems Resourcing. The consideration for the search and selection company that specialises in the recruitment of IT personnel, will be satisfied as to £4m in cash, £6m in shares and £2m loan notes. Part of the cash element will be funded by the placing of 1m new ordinary shares at 240p by SG Securities to raise £2.4m before expenses.

INFORMATION TECHNOLOGY

Microgen continues to fall

Profits at Microgen continued their downward spiral as the business information company, which has issued three warnings in the past year, reported a 69 per cent drop in pre-tax profits from £4.21m to £1.29m, including an exceptional gain of £474,000, for tha six months to April 30. Operating profits fell 75 per cent to £1.04m, but sales were down only 4 per cent at £32.6m. The full-year figure has been downgraded again by Kleinwort to £2.1m a

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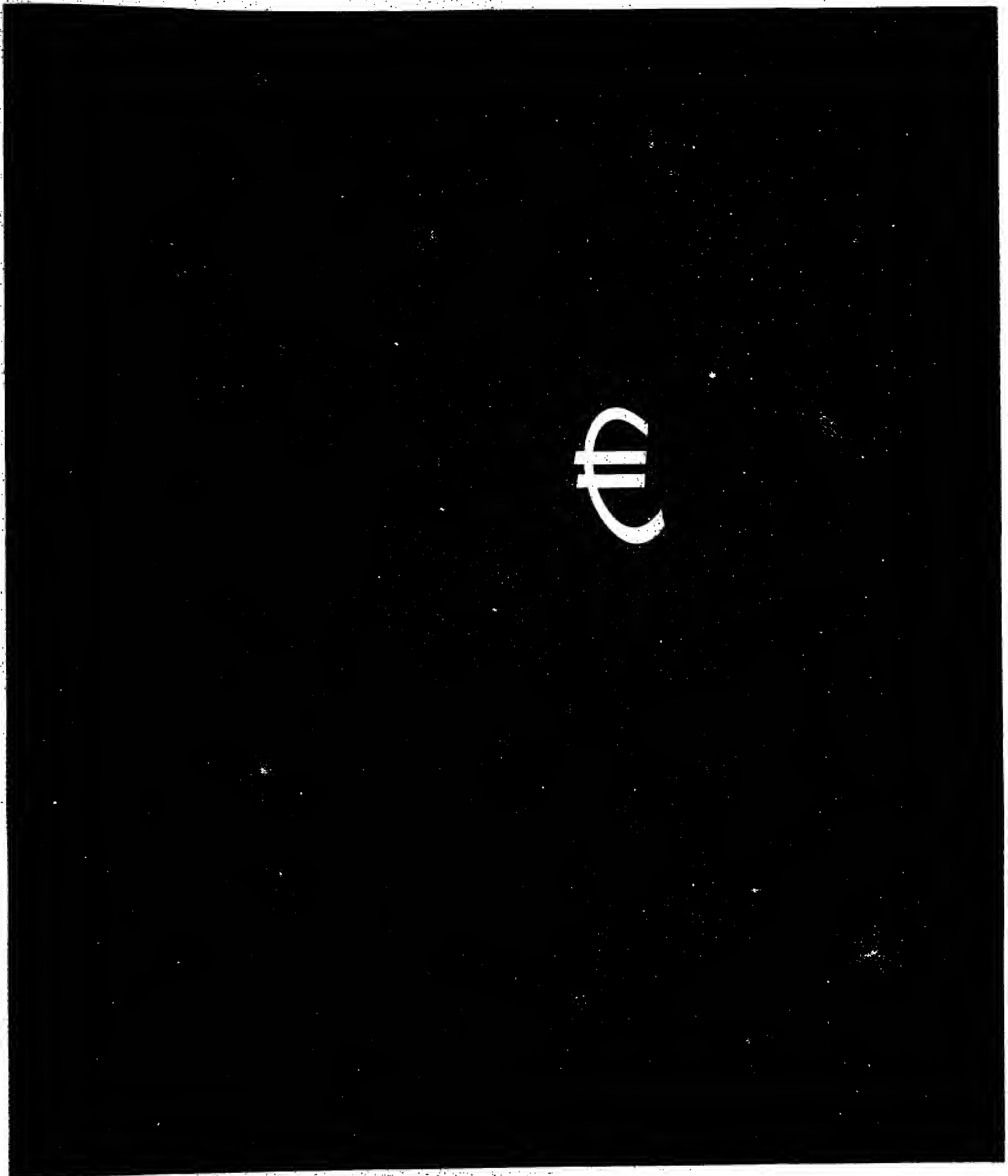


Super-league leaves small-cap stocks out in the cold

Consolidation between equity exchanges could result in apartheid for Europe's smaller companies, writes **Simon Davies**

Market movers

The Frankfurt and London stock exchanges have presented a beautiful vision of a seamless market for Europe's 350 biggest companies, but this creates the threat of an apartheid system for smaller and medium-sized companies.

The exchanges envision a low-cost, highly efficient dealing system, which will channel rising levels of private pension cash and existing low-yielding insurance funds into regional blue-chip equity portfolios.

That will leave several thousand companies, with market values ranging from £50m to £3bn, trading under a fragmented network of local stock exchanges.

Moreover, the development of new exchanges for high technology and growth companies is taking some of the dynemism out of this small-cap market.

Euro NM, the alliance of regional high-growth stock markets, and Easdeq are etiracting many of the fast-growing small companies that would have previously gone to the main market.

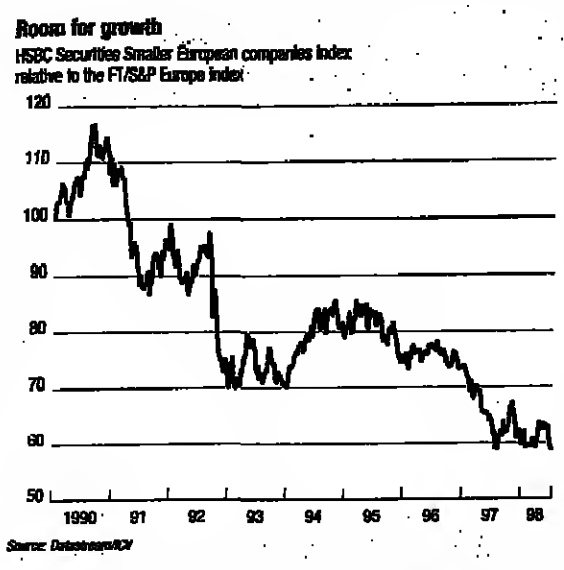
Mobilcom, for example, has seen its shares grow more than 200-fold since it became the first company to be listed on Germany's Neuer Markt, now part of Euro NM, last year.

It is in a market designed for small but fast-growing companies, but it has a stock market value of more than DM6bn ($3.3bn). This is following the pattern of Microsoft, which remains listed in the US on Nasdaq, rather than progressing through the ranks of the New York Stock Exchange.

So will this mean a dull performance for smaller European companies, as liquidity is channelled one way and the dynamic small companies go another?

Paul Marsh, professor of management and finanre at London Business School, argues: "As dealing costs come down and liquidity improves for the top 300 European stocks, it could lead to slightly higher share prices and a fall in the cost of capital. This does not affect small companies as such, but it could mean that the valuation gap widens."

Room for growth
HSBC Securities Smaller European companies index relative to the FT/S&P Europe index



Source: Datastream/ICV

There could be particularly distorted valuations among those companies that fall out of the super-league of the new blue-chip market, or those that are expected to move into it.

Mark Howdle, European equity strategist et Salomon Brothers, argues: "There will be a lot of attention on bringing together regional trading in the largest and smallest companies, and it is the ones in between that are lowest on the totem pole."

Moreover, recent bistory does not fevour the small company investor. Investors require premium returns to compensate for reduced liquidity of shares, and for the last decade they received a discount. The so-called small company effect has become a negative one.

None the less, Henderson Asset Menagement tracks 1,300 companies with a value of less than $500m in Europe excluding the UK, providing its small-cap universe, and these have a total value of only $228bn – equivalent to Europe's two biggest companies combined.

"As long as there are attractive small companies out there, it doesn't take very much liquidity to realise tbeir value," argues Andrew McNally, European smaller company fund manager at Henderson.

Moreover, much of the onder-performance in small-cap stocks is ettributable to their sector weightings, and over time this will change. The creation of e substantial single currency equity market in Europe should encourage large and relatively untapped areas of the regional economy to raise capital on the stock market, creating a more dynamic smaller company universe.

Some of this may shift into new specialist stock markets and therefore be ignored hy the mainstream small-cap benchmarks, but it will still benefit the same European small-cap investors.

After ell, UK European smaller company unit trusts have already out-performed the broad European benchmarks this year.

The regional stock exchanges will lose much of their responsibility for big companies through the creation of the new regional market, so they should put more effort into nurturing the blue chips of the future.

Therefore, while swathes of the European stock market universe may appear to be heading for the twilight zone, the real impact will be limited.

Jonathan Sharpe, head of small companies fund management at Gartmore, says: "Markets are fairly efficient. If big-cap stock valuations become over-inflated, then investors will buy growth more cheaply elsewhere."

The risk is more that the creation of an equity super league means that the valuetion anomalies hetween small companies and giant multinationals take longer to close.

DERIVATIVES COMPENSATION FOR BELGIUM

Merrill Lynch 'to pay less than feared'

By Jean Eaglesham

Merrill Lynch, the US securities firm, is understood to be confident it will not have to pay the Belgian government "anywbere near" the $300m figure for compensation reported in the UK press yesterdey. "The payment will be way, way lower," said a figure close to the negotiations.

The compensation relates to losses the Belgian government ran up through a series of high-risk derivatives deals it carried out in London between 1989 and 1993, mainly via Merrill. The deals were dollar and D-Mark "power options", an unusnal type of derivative thet magnifies the potential gain, or in this case loss.

Buying a currency option gives the purchaser the right, but not the obligation, in buy or sell a currency at a set future price and date.

Selling these options – as the Belgian government did – is much more of a gamble, since the seller is forced to pay out to buyers if the foreign exchange markets move against it.

Belgium's sale of the options initially paid off, and the nnderwriting proved profitable, but all that changed when the UK left the European exchange-rate mechanism in 1992. Belgium swiftly racked up huge paper losses, which at one point totalled more than $1bn.

Recent currency movements have apparently reduced tbe liability, although the final amount may not be known until 2002 when all the deals have expired. Merrill and the government have agreed to resolve the compensation issue this year, however. "It has been going on since 1992 – both sides are sick of it," the insider claimed.

The deals caused considerable controversy within Belgium when they became public. The government said it did the trades to hedge other foreign-denominated debt but people were shocked to discover it had been dabbling in such a high-risk financial area.

The hole in the puhlic finances emerged midway through a radical programme of spending cuts designed to reduce the country's huge hudget deficit and so meet the criteria to enter European monetary union.

The affair has now largely blown over in Belgium but for Merrill it raises uncomfortable echoes of its brush with Orange County. Merrill last month agreed to pay $400m to settle e $2bn lawsuit brought by the Californian county, which went bankrupt in 1994 after running up buge losses on derivatives bought from Merrill and others. Merrill is still in discussions with the Securities and Exchange Commission about the affair.

Mobile phone groups set for price battle in space

By Christopher Price

A price war in space looks set to break out. ICO Global Communications, one of three companies planning to leunch tbe world's first satellite hand-held mobile pbone service, bes said its call charges could be less than helf those planned by rival operator Iridium.

The news comes just 10 weeks before the launch of the $5bn Iridium service, which will be the first of the three to go into operation. The 66-strong satellite constellation allows calls to be made to and from anywhere in the world on an average-sized mobile phone.

Last week, Iridium's Japanese cellular partner became the first to publish official prices for the service. These showed e maximum price of $7 a minute for an international call using the satellite system.

However, ICO said on Friday that its maximum price was likely to be set at about $3 e minute. Both companies intend to cut prices to as little as 50 cents e minute for developing countries. ICO also said that its phones would cost about $1,000 eacb, against $3,000 for Iridium's.

Iridium has signed partnership deals with more than 100 cellular operators around the world. They are responsible for marketing and administering the service, and setting final prices.

Orange, for exemple, which is Iridium's partner in the UK says its prices are likely to be between $2 and $5 a minute.

Tbe ICO move will put pressure on Iridium and Globalstar, the other satellite consortium, in the new market which analysts believe will struggle to support three operators. The average $5bn cost of eacb system means that the battle for cuslomers and market supremacy is likely to he intense.

ICO, in which Motorola of the US is the biggest shareholder, has the advantage in launching first. It is planning a $140m advertising blitz to establish the Iridium brand ahead of its rivals.

Globalstar, backed by Loral, is due to begin its service in 12 months, with ICO, the former Inmarsat subsidiary, following in 2000.

John Windolth, Iridium head of marketing, dismissed the ICO assertions. "These numbers are highly speculative. Who knows what the market will be like and what the prices will be in three years' time?" He added: "Whatever our rivals charge, we will be competitive."

ICO says it can afford to be cheaper than Iridium because its costs are lower. Its system only needs 12 satellites because they are in a higher orbit; they also last twice as long.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
ABN Amro (N'lands)	Banco Real (Brazil)	Banking	$3bn	Third home aim
Royal Dutch/Shell (UK/N'lands)	Rosneft (Russia)	Oil & gas	$1.6bn	Sale fails
Norske Skog (Norway)/ Abitibi (Canada)	Hansol (S Korea)	Pulp & paper	$1bn	Joint venture
Cendant (US)	RAC (UK)	Motoring srvcs	$740m	High Court OKs
Special Metals (US)	Unit of Inco (Canada)	Metals	$408m	Non-core disposal
Quebecor (Canada)	Tryckinvest (Sweden)	Printing	$219m	White knight
BTP (UK)	Archimica (Italy)	Fine chemicals	$165m	Higher value move
Impac (US)	Tinsley Robor (UK)	Prntng & pckgng	$139m	Consolidation
Lucent (US)	LanNet (Israel)	Computers	$117m	UK's Madge sells
CB Richard Ellis(Canada)	Hiller-Parker (UK)	Property srvcs	$100m	Sector reshaping

Granville looks for non-UK investors

By Clay Harris, Banking Correspondent

Granville, tbe independent investment banking group, intends to boost its capital base hy bringing in new institutional investors, probably from outside the UK.

David Williamson, chief executive, said Granville would not follow the path of Goldman Sachs to s public flotation, hnt wanted to build up its resources to be able to take advantage of market opportunities, especially in a downturn.

Witb Cranville lodey reporting e 31 per cent increase in pre-tax profits to £4.5m ($7.3m) in the year in March 31, he said: "Our capital base is being strengthened from within."

But the company was aiming to attract one or two new invesinrs by the end of the year. These were likely to resemble its current institutional investors but would preferably come from outside the UK, Mr Williamson said.

The Post Office and British Telecom pension funds, both managed by Hermes, hold 17 per cent between them. The BG and Centrica pension funds own 15 per cent belween them and Friends Provident Life Office 9.9 per cent. All of these were not only long-term shareholders, but also supported sbare underwriting and were broking clients, Mr Williamson said.

Granville was willing to see the proportion of shares held by current and former employees, inclnding trust holdings, fall from 52.5 per cent to below 40 per cent, he said. Leonard Licht, the former Mercury Asset Management vice-chairman, who now acts as e consultant to Granville, owns 5.6 per cent.

European PC sector revamps

By Paul Taylor

The decision by Germany's Metro retail group to sell its Vobis, Maxdata and Peacock computer units to CHS Electronics of tbe US for DM587m ($323m) last week, signalled the continued restructuring of Europe'a personal computer industry in spite of hcoming sales.

The sale of Vobis, which ranks sixth in the fiercely competitive German PC market, with expected sales this year of DM6bn, is the latest in a series of deals that have seen European companies spin off, sell or close down their PC operations. The deals bave further consolidated the grip of big-brand US and east Asian manufacturers on the European PC market, currently the fastest growing in the world.

Among the European companies in quil the PC business, the UK-based ICL group folded its PC operations – including Aquarius Systems, a low-cost German PC manufacturer – into those of its Japanese parent, Fujitsu; Italy's Olivetti sold its PC operations to a group of US and European investors; and Croupe Bull, of France, has folded its PC business inin the Packard-Bell NEC group as part of a three-way deal.

Even Siemens Nixdorf of Germany, the last European computer maker to offer a full range, bas pulled out of PC manufecturing, selling its PC plant to Taiwan's Acer.

The moves come as market researcbers raise their estimates of PC sales in Europe this year, forecasting growth of about 20 per cent, substantially faster than either the US, where there are signs of saturation, or Jepan and Asia, where sales have been hit by the region's economic problems.

The European surge reflects several factors – the raca by corporate purchasers to complete preparations for the euro and to become year 2000-compliant, and growing interest among European consumers in tbe internet and online services.

To some extent, Europe is playing catch-np with the US, wbere household PC penetration is about 44 per cent compared with about 25 per cent in most European countries.

However, strong market growth has not been enough to protect many PC makers from falling average purchase prices and lower margins, particularly in markets anch as Germany, wbere consumers focus on price.

Despite these pressures, some PC makers are riding the sales weve. Dell Compnter, the US group that has built its business on a direct sales and build-to-order models, has seen its European sales soar over the past year – inclnding the German market.

Hewlett Packard has also seen strong growth in Europe, as has Fujitsu Compnters, which increased year-on-year shipments by 83 per cent in the first quarter.

In spite of this, Winfried Hoffmann, joint chief executive, claims in have reduced operating expenses to below those Dell and Compaq in the first quarter.

Like other senior executives in the European PC industry, Mr Hoffman believes the next few years will determine which companies and PC brands survive and which fade eway.

While some emall assemblers may survive by catering for local market niches, it seems increasingly clear that multinationals such as Compaq, Dell and Hewlett Packard and their Japanese rivals will consolidete their grip ou the European market.

Supplier to chip industry warns

By Louise Kehoe in San Francisco

Applied Materials, the world's largest supplier of semicondnctor production equipment, warned late on Friday that Asian economic turmoil, compounded by slowing growth in the personal computer industry, would sharply reduce earnings for the current quarter.

Excluding e previously announced restructuring charge, the company said it expected to post earnings of between 15 cents and 18 cents e share on sales of between $850m and $885m for the third fiscal quarter ending July 26. Wall Street analysts had been projecting earnings of around 21 cents a share.

The warning struck an ominous note for other equipment producers and reflected e deepening slump in the worldwide semiconductor industry. Chip makers were "delaying orders, rescheduling equipment deliveries and reducing spending", Applied said.

It blamed the downturn on difficult economic conditions in Asia, e surplus of memory cbips and weaker than expected PC sales, together with a shift to lower-priced PCs that carry smaller profit margins.

"Althougb these factors have been present for some time, their near-term effect on the semiconductor equipment industry will be more severe than previously anticipated," Applied said.

A year ago Applied Materials had earnings, exclnding charges, of $145.2m, or 77 cents a share, on sales of $1.05bn. The company said new orders for the third and fourth quarters would be "significantly lower" than in the second quarter.

Worldwide chip sales fell nearly 13 per cent in May from e year ago to $9.99bn, the lowest monthly sales since February 1995, according to industry data. Market reseerchers now see a decline of about 10 per cent for the year, with the prospects of an upturn in 1999 fading.

Already US chipmakers including National Semiconductor, Atmel and Cypress Semiconductor have issued profit warnings or laid off workers. Last week Advanced Micro Devices reported lower than expected earnings.

Among equipment makers, Lam Research, Novellus and KLATencor have forecast a disappointing quarter. Last month, Lam Research said it would cut 20 per cent of its staff.

Fate of Hubco rests with the IMF

Talks start today over the impending debt crisis in Pakistan, which could prevent the electricity generator from paying its foreign creditors, says **Farhan Bokhari**

Talks between IMF staff and officials from the G7 countries, due to begin in Washington todey, over Pakistan's impending debt crisis mark the latest in a series of events that could seal the fate of Pakistan's Hub Power Compeny (Hubco).

The company, created al a cost of about $1.5bn to produce 1,292MW of electricity, bas seen its image as a model for infrastructure development in the developing world increasingly tarnisbed.

If the country fails to stave off a crisis over the repayment of its US$42bn foreign debt and declares a moratorium, Hubco's outlook could deleriorate further amid a possible block on it repaying the foreign portion of its $1.14bn debt, which represents tbe great majority, analysts said yesterday.

The growing anxieties are driven by days of speculation that Pakistan may be close to its first foreign debt default, whicb government officials say is inevitable if western economic sanctions after Islamabad's nucleer tests in May are not softened soon. The sanctions include tbe G7 hlocking bedly needed multilateral assistance except portions of humanitarian aid.

Hubco, in which National Power of the UK has a 26 per cent stake, has seen its share price fall by more than 80 per cent since January. This marks a significant fall from grace for the second largest company on the Karachi stock morket in terms of market capitalisation and one that was considered a star performer.

The fall in Hubco's share prica is in part the result of prime minister Newaz Sharif's moves to force the country's private power companies in cut their tariffs by half in an effort to overcome a deepening financial crisis faced by tbe state-owned Water and Power Development Authority.

The World Bank bas sougbt "specific information" from Pakistan on its recent handling of the country's private power projects, a move that throws the official position into furtber controversy.

WAPDA, whicb ll is estimated will require et least $400m in the next two years to carry out e far-reaching restructuring, is obliged to huy electricity produced by Hubco to sell on to consumers on its transmission system.

Anelysts say WAPDA's failure to begin wide-ranging reforms immediately is one of the reasons behind the pressure on Hubco in cut tariffs.

The government has already cancelled one private power generation project and served notice on eight others for corruption and technical flaws in the wey their contracts were *signed under the regime of* Benazir Bhntto, the former prime minister.

In May lhe Lahore high court issued an interim order ruling that WAPDA should pay only Rp1.50 a KW hour to Hubco, cutting the previously agreed tariff of Rp3.17 by more than half, and blocking the company from paying foreign debts.

Last month, the supreme court, ruling on an eppeal by Hubco, allowed the company to repay its external debt and asked WAPDA to pay Rp845m ($18m) every month in fuel costs in addition to the new tariff.

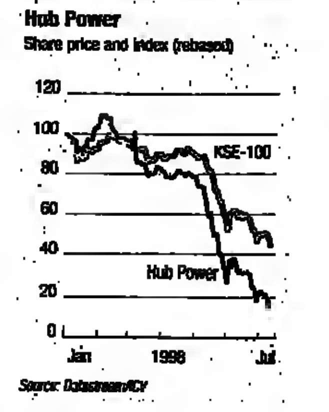
This month, the supreme court referred the case back to the Lahore high court to settle the tariff dispute hy December. Hubco responded by seeking mediation by the International Chamber of Commerce.

"The whole point of the investment we brought was that the equity would get return. Recent events, bowever, are not e good advertisement for Pakistan," said Khurshid Hussain, Hubco finance director.

Zahid Cbowdhury, senior *analyst et Karachi'a Khadim* Ali Shah Bukhari brokerage house, who has just changed his advice on Hubco from buy to qualified buy, said: "In the case of a moratorium, the company will no longer be able to repatriate funds on the official rate. They will have to purchase funds on the open market to pay their foreign lenders."

Some critics also say the controversy surrounding Hnbco would not have done so much damage to its outlook if the government had pressed to renegotiete the contracts behind the scenes rather than in public.

Hub Power
Share price and index (rebased)



Source: Datastream/ICV

One of the worst examples of official insensitivity was the two-day detention of a former Hubco director by the government's notorious *ehtesab* (accountability) cell, charged with probing cases of corruption.

The direcinr was released without being charged – but only after the incident was reported in national newspapers and many business figures condemned the action. The cell has been criticised for using strong-arm methods to seek lower electricity tariffs.

Mr Hussain agrees. "There were legitimete concerns that the government had, but there were other ways to deal with it like [cutting] tha fiscal deficit in WAPDA".

Nordic media continue to consolidate

By Greg McIvor in Stockholm

The consolidation of the Nordic media industry has accelerated with the agreement by Schibsted, the quoted Norwegian group, to buy a 62 per cent stake in Svenska Dagbladet, Sweden's second biggest broadsheet newspaper.

Friday's deal follows a long search by Investor, the investment vehicle of Sweden's Wallenberg business empire, for a buyer for its 13 per cent stake in the newspaper, which it regarded as non-core. Wallenberg-owned companies control about 80 per cent of Svenska Dagbladet's stock.

Birger Magnus, Schibsted executive vice-president, said the acquisition was "an important step towards realising Schibsted's long-range ambition to become Scandinavia's leading media group".

Schibsted intends to divest part of its stake to Sanoma Corporation, Finland's leading media group, and to smaller Swedish regional newspaper groups.

Jaakko Rauramo, Sanoma chief executive, said his company had the opportunity to buy a 10-20 per cent stake.

Sanoma recently announced plans to become more aggressive across Scandinavia after unveiling a three-way merger with Helsinki Media and WSOY, one of the largest publishing houses in Finland.

Investor had been in advanced talks to sell its holding to Marieberg, the listed Swedish subsidiary of Bonniers, the biggest Nordic media group. However, the sale was dropped after the Swedish government complained it would constitute unacceptable concentration of domestic media power.

Marieberg owns Dagens Nyheter, Svenska Dagbladet's national rival, as well as Expressen, the country's second largest-selling daily.

For Schibsted, the purchase is its first big foray into Sweden since its acquisition of the tabloid Aftonbladet, the top-selling daily, in 1996. Schibsted also owns Verdens Gang, Norway's biggest mass-circulation tabloid.

The SKr20m ($2.5m) purchase price, valuing Svenska Dagbladet at just SKr30m, reflects a long period of financial difficulties at the Stockholm-based publication.

Circulation has fallen sharply during the 1990s and is currently below 200,000. A series of restructuring efforts, including the cutting of editorial jobs, has struggled to revive its fortunes.

The paper's executives have nevertheless pledged Svenska Dagbladet will return to profit next year.

Gulf smelters secure bank loans

By Robin Allen in Dubai

Two Gulf smelters, Dubai Aluminium (Dubal) and Aluminium Bahrain (Alba), have taken advantage of the fall-off in loan prospects in Asian markets to get unusually fine rates from Gulf and international banks to finance expansion schemes, Gulf bankers say.

Dubal has secured $420m in project finance and revolving credit facilities for part of its $725m "Condor" scheme, which will expand its smelter capacity by 35 per cent to an annual 525,000 tonnes over the next three years.

Under an agreement signed yesterday, Barclays Bank, of the UK, is to lend Dubal $150m, repayable by December 31 2002, at only 25 basis points above Libor.

Sameer Al-Ansari, Dubal chief financial officer, said: "Within the next couple of weeks, between six and seven local and international banks are coming in with another $120m on the same terms as Barclays."

Barclays is also providing a $40m revolving credit facility, out of a total $150m being offered by the same group of banks at only 20 basis points over Libor.

ALBA, whose annual output is 500,000 tonnes, has secured non-recourse funding rates of 50 basis points above Libor for an eight-year loan, with 20 local and international banks to finance a petroleum coke calcination project and a 42,000 cu m a day desalination plant.

Investors welcome Portuguese offerings

By Peter Wise in Lisbon

Portugal's two latest global offerings have met with strong demand, showing that the appetite of the country's small investors for equity remains voracious. The retail tranches of offerings of Atlântico, a bank, and Siva, a car dealer, were both subscribed many times over.

The retail sale of an initial public offering of 25 per cent of Siva, which imports and sells Volkswagen cars, was 172 times subscribed, with investors placing orders for 429m shares, bankers said. Only 2.5m are available in the retail tranche. A further 5m shares are being offered to institutions.

The Siva offer is to be priced today within a range of Es2,200 to Es2,600 a share. Global co-ordinators are Banco Chemical Finance of Portugal and Salomon Smith Barney.

Orders for a total of 744.4m shares in Atlântico, one of Portugal's biggest retail banks, had been made by the end of the pre-registration period on Friday, subscribing for the 17.7m shares on offer more than 42 times, bankers said yesterday.

Banco Comercial Português is offering a total of 32.2m shares in Atlântico, another leading retail bank, representing 29.4 per cent of the bank's capital.

This includes an offer of 14.5m shares to Portuguese and international institutions.

The offer is to be priced on July 20 within a range of Es4,000 to Es4,600 a share. This values the offering at Es141.6bn ($761m) to Es162.9bn.

The global co-ordinators, Banco Cisf, BCP's investment bank, Salomon Smith Barney and Warburg Dillon Read, have an option to increase the offering to 35.4m shares, 32.2 per cent of Atlântico's capital, to cover over-allotments in the institutional tranche.

BCP, which acquired control of Atlântico three years ago and now owns more than 96 per cent, plans to keep its stake in the bank above 60 per cent.

The figures for both sales show that retail demand for shares continues unabated after one in 10 of Portuguese adults applied for shares last month in the country's biggest global offering, the sale of an 18 per cent stake in Electricidade de Portugal, the national power utility.

INTERNATIONAL BONDS LACK OF CREDITWORTHINESS IS THE LATEST OBSTACLE TO A REGIONAL MARKET

Cruel irony thwarts Asian ambition

By Louise Lucas in Hong Kong

Asia's bid to develop a regional bond market has been thwarted by many issues: lack of government debt, a cultural aversion to borrowing, the rigours of transparency imposed by investors, thin liquidity and minimal infrastructure.

The latest deterrent – credit-worthiness – has been brought about by the Asian financial crisis, a neat irony not lost on bankers or governments eager to promote a regional bond market.

"It is one of the ironies of history that our failure to establish a strong and robust Asian bond market is among the reasons we are facing the Asian financial crisis today," says Donald Tsang, Hong Kong's financial secretary, speaking at a conference last week.

Without recourse to local currency bonds – and, more pertinently, wooed by the attractive returns offered by borrowing US dollars and lending it in the local currency – Asian companies, it is argued, accrued US dollar debt, especially short-term, and invested in illiquid assets such as real estate.

Despite Hong Kong's best efforts, the development of a local currency regional bond market looks unlikely in the short term. The more likely funding route will be that laid down by Korea earlier this year: US dollar-denominated bonds issued by sovereigns.

"In the near term this year, the US dollar is going to continue to be the primary source of capital, which is somewhat ironic," says Carlos Cordeiro, a managing director at Goldman Sachs Asia.

"But that's where the liquidity is today in the world, and where most governments will turn to for credit."

Clearly, they will pay handsomely for the privilege. When South Korea came to the market in April, its US$4bn bond was priced at 355 basis points over US treasuries; today the spread has widened to about 450 basis points.

This has deterred other would-be borrowers who had planned to make their entrance on the international markets earlier this year: Thailand, China, Malaysia and a further tranche from South Korea.

"Everyone's waiting for the other one to blink. It's the whole face-saving exercise ... When the market was first talking to Thailand seriously, the price was 275 basis points over US treasuries, today it's over 400. They are gun-shy," says Glenn Kim, senior vice-president (debt capital markets) at Lehman Brothers in Hong Kong.

In some cases, mandates have already been awarded to banks. China has appointed Credit Suisse First Boston and Goldman Sachs to lead-manage its issue – but delays are almost uniform. Korea Asset Management Corp said last week it would postpone its mooted issue, and Thailand has repeatedly cut back and deferred its offering.

"There was a lot of appetite, but investors that did participate in that are currently significantly under water," says Elizabeth Chandler, a managing director with Morgan Stanley Dean Witter. "So, as is usually the case, investors who have been burned are very cautious about coming back to market."

When they do return, it will be strictly on their own terms. These will include stringent disclosure, an emphasis on quality – hence the role of sovereigns at the forefront of the return to market – and, by raising funds in US dollars, elimination of the currency risk.

Investors can afford to be fastidious. While the fascination with Asian paper early last year owed a lot to demand for high yields, that market today exists on safer ground – the US.

So for potential would-be Asian borrowers, the outlook is far from bright. Typically, the pall cast by the Asian crisis – whose victims included Peregrine, the pan-Asian investment bank whose fixed-income activities in the high-yield market of Indonesia resulted in its demise when currencies turned – has fallen across the entire region.

Little has happened to dissipate the angst. Just as some economists are starting to highlight positive signs in Korea or Thailand, nerves have been rattled by Russia and the viability of emerging market paper remains weak.

This means there is little discrimination afforded to Hong Kong, where the banking system is regarded as sound, economic fundamentals are less ravaged and ratings remain predominantly of investment grade.

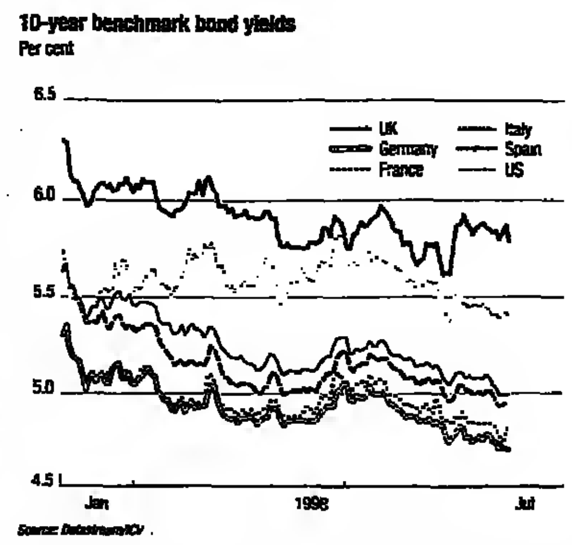
It is another reason why Hong Kong would like to see a regional bond market, attracting investors more capable of distinguishing between good credits and weak ones.

The territory is taking that end-game a step closer, via its own sound regulatory structure and initiatives to improve both infrastructure (setting up its own version of Euroclear, Asiaclear) and establishing benchmarks through the issuance of government debt.

Latterly, it has also set up a body to securitise mortgage debt – described by Mr Cordeiro as "having a Fannie Mae in your own backyard" – and will broaden investor demand when its mandatory provident fund is operational in 2000.

Useful as that market would prove for borrowers today, it will not happen swiftly. "Markets do not just evolve overnight: they need considerable resources of capital and people and right now most everyone is just fighting fires," says Mr Cordeiro.

10-year benchmark bond yields
Per cent



Source: Datastream/ICV

Blockbuster has rivals reaching for pause button

Independent US video stores feel threatened by Viacom unit's revenue-sharing deal, writes **Christopher Parkes**

The fast-forward recovery of Blockbuster, the Viacom subsidiary, will be the death of its smaller rivals in the US video rental trade, activists claimed at a Las Vegas convention last week.

Although the industry is enjoying its best year for a decade, with revenues already up almost 6 per cent after a 4 per cent decline to about $7.5bn last year, tension is high between Blockbuster, the film studios and the owners of the nation's 25,000 independent shops.

The cause of the friction is a revenue-sharing arrangement developed late last year by John Antioco, Blockbuster's new chief executive, and the film studios. The deal has helped increase the 4,000-outlet chain's revenue by 10 per cent this year.

Revenue-sharing, adopted by most of the big studios, and offered to all rental stores, has replaced the old system, in which a retailer would pay $70 for each video and keep all the rental income. Prices have been reduced to about $10, and studios take a slice of the revenues.

The increased availability of popular films is believed to have tempted back many rental customers who had been frustrated by routine shortages, and to have had an immediate impact on Blockbuster's fortunes.

However, independents, out in force at the Video Software Dealers Association annual conference, allege that "sweetheart" deals with the studios have given the national chain an unfair advantage, and they are passing round the hat for funds to launch an anti-trust lawsuit.

Mr Antioco was emphatic: "We have no – none, zero, nil, nada – exclusive deals," he told the convention. He was also contradictory and conciliatory; playing down aggressive statements about Blockbuster's ambitions by Sumner Redstone, Viacom chairman, then swearing it was in his interests to keep the whole industry strong.

"There is simply no future in being part of an ailing industry," he told a polite audience, on its best behaviour after warnings against rowdiness from the association's leaders.

However, while Mr Antioco's speech appeared to soothe tempers, the sour mood persisted as delegates were reminded of the greatest challenges to their prosperity – from pay-per-view cable and satellite television channels, supermarkets and national retailers such as Wal-Mart which sell cut-price videos, and the looming threat from film distribution via the internet.

Conflict is common in the video business, one of the few US mass-market retailing sectors that still has a strong contingent of independents in a caucus traditionally resistant to change.

Twelve months ago, for example, the national launch of the digital video-disc (DVD) – with its crisp pictures and hi-fi sound – was widely seen by convention delegates as another threat to analogue tape. However, by last week DVD had become an exciting new revenue-generator for the rental specialists.

Awareness among US consumers has doubled to 37 per cent in the past year. Sales of players to the end of last month have exceeded 600,000, providing a big enough market in some areas to encourage Blockbuster and Hollywood Entertainment, the chains that control 34 per cent of the video rental market, to introduce discs for rent before Christmas.

That, backers say, will attract the independent operators; further improve consumer awareness and player sales; and complete a virtuous circle similar to that in the 1980s, which made the video cassette recorder an everyday household appliance and spawned a rental store on every street corner.

EMERGING MARKETS BUYERS ARE BECOMING MORE SELECTIVE

Investors in Russian equities look to funds

By John Thornhill in Moscow

This time last year, Moscow's hotels were bursting with western fund managers besotted by the prospect of buying into the world's last great emerging market. The optimists were then loudly proclaiming that Russia would be one of the greatest investment opportunities of the 21st century.

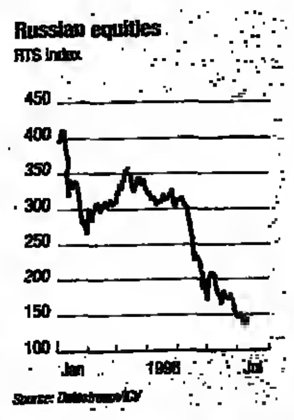
There was much to entice investors: the stock market was roaring ahead to record a 104 per cent increase over the course of 1997; foreign capital was pouring into the country as banks, companies, and regional governments raised foreign loans; and the economy was finally beginning to grow.

This year, the mood has changed completely. The Asian crisis has frightened investors from all emerging markets, ending the flows of easy money. The slide in oil prices has contributed to an acute government funding crisis, which can probably only be salvaged by additional support from the International Monetary Fund. Russia's stock market has fallen by two-thirds this year, more than erasing 1997's gains.

As Moscow's battered stockbrokers face up to this financial carnage, they are beginning to wonder if this is just a one-off correction or if it represents a fundamental reassessment of Russia's risk-reward equation.

John Paul Smith, Russian equity analyst at Morgan Stanley Dean Witter, argued for most of last year that Russian shares were wildly overvalued in view of the structural defects in the economy. But following the sell-off, he says the market is now looking very cheap.

Russian equities
RTS index



Source: Datastream/ICV

Mr Smith says the new government, under prime minister Sergei Kiriyenko, has finally recognised the importance of microeconomic reforms; tackling the non-payments crisis in industry, overhauling tax administration, and implementing a more effective bankruptcy regime.

"I am beginning to think that the upside on a short to medium-term view is beginning to outweigh the downside. I am becoming a lot more comfortable with what the government is trying to do on structural reforms," he says. "At these price levels, investors should be prepared to give the government the benefit of the doubt."

The IMF now looks set to approve the government's anti-crisis programme, clearing the way for Russia to raise sizeable new loans, which would buy more time for reform. The IMF, World Bank, G7 countries and commercial banks could cobble together a financial support package of $20bn, staving off the threat, at least temporarily, of a rouble devaluation.

But even if Russia's financial markets do bounce after such a deal, Par Mellstrom, equity analyst at Brunswick Warburg, the Moscow-based stockbroker, says investors will be far more discriminating when considering which stocks to buy.

"You will have to be extremely, extremely selective in deciding where to invest," he says. "Investors will be a lot more demanding about issues such as corporate governance. The idea that the market has a short memory and that companies can get away with treating shareholders badly will prove to be false."

Some investors argue that as many as 80 per cent of the former state companies that were privatised in 1993-95 may not survive long-term in the market economy. That helps explain an increasing shift towards direct equity funds, which try to capture the growth potential of new, private companies operating primarily in the underdeveloped service sector.

But it seems many investors have been so badly burned this year that they are unlikely to touch Russia for a good while.

Concerns about the country are still alarmingly high. Russia is still largely dependent on an ailing and increasingly erratic president. And, for western investors at least, the two most likely presidential successors in the 2000 elections hardly warm the heart.

Add with the possibility of further financial turmoil in Asia, a correction on Wall Street, and a continuing low oil price, Russia has slipped even further down most investors' priority lists.

"The worst-case scenario for Russia is so scary that you would not want to invest in anything at all," says Mr Mellstrom.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, July 10, 1998. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abbreviations: [illegible]

MARKETS WEEK

July 13 - July 19

NEW YORK

By Richard Tomkins

Second-quarter earnings would normally have been the focus of equity investors on Wall Street this week, but trading is likely to be dominated today by the outcome of the Japanese elections.

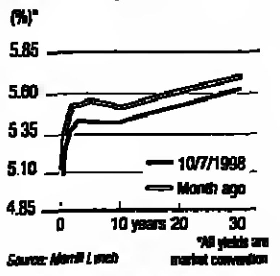
Last week, US bond market analysts had predicted that if Japan's ruling party suffered a big setback, the political uncertainty would result in a flight to quality into US dollars, sending bond prices sharply upwards.

The outlook for equities is less promising, since any deepening of Asia's economic crisis will be damaging for world trade, and a stronger dollar will depress US corporate profits time when confidence has already been shaken by a stream of profit warnings.

As the reporting season gets fully under way, investors will get a sense of how far profits have been squeezed by Asia's economic crisis, the strong dollar, the strike at General Motors, and inventory build-ups in the first quarter.

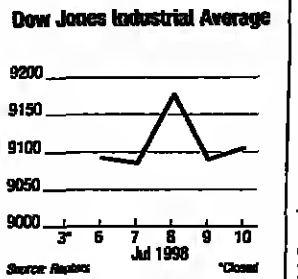
But what is bad for equities could be good for Treasuries. The 30-year long bond is close to record highs against the background of a slowing economic tempo and diminishing worries about inflation.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Dow Jones Industrial Average



Source: Reuters *Closed

LONDON

By Philip Coggan

Last week's Bank of England monetary policy meeting may have passed without a rate rise, but the market's attention will quickly turn to the next one.

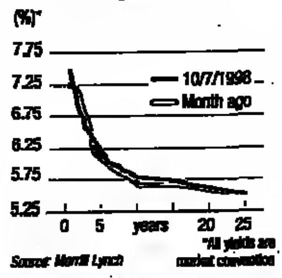
One clue may be provided by the minutes of the June meeting, which will be released on Wednesday and should show the balance of power between the hawks and the doves.

In addition, there will be the normal mid-month batch of economic data, including the retail prices on Tuesday. Analysts are looking for the underlying rate to edge down to 3 per cent from May's 3.2 per cent, although that will still be well above the government's target.

The most-watched data of the week seem likely to be average earnings, one of the key factors behind June's rate rise. The consensus forecast is that the annual rate of growth will be unchanged at 5.2 per cent, more than the Bank deems compatible with a 2.5 per cent inflation rate.

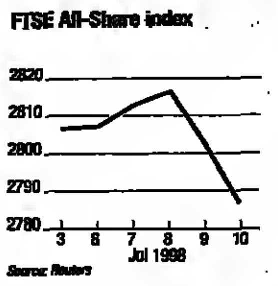
Internationally, tha markets will react to the outcome of the weekend Upper House elections in Japan and to the US trade numbers on Friday, which are expected to show a further widening in the deficit, thanks to the Asian crisis and the strong dollar.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

FTSE All-Share index



Source: Reuters

FRANKFURT

By Andrew Fisher

Having just scraped above 6,000 points last week, Germany'a Dax blue chip index managed to hold this level on Friday after a slight retreat. The market's prospects remain bright as a result of the widening economic upswing, low interest rates, subdued inflation and the bnoyant company profit outlook, but there are some dispiriting clouds on the horizon.

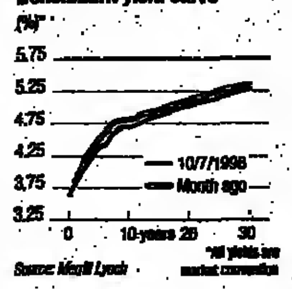
Uncertainty over Asia remains, especially with investors unclear as to whether Japan can finally bring its manifold economic and financial problems under control. The German market benefited last week from signs that Japan was ready to act, bnt Tokyo has often disappointed before.

It took a knock on Friday when SAP, the business software group, said it had been hit by the Asian crisis but overall sales and profits still showed marked growth and the shares pulled back from the day'a low.

Also causing concern are confusion in Russia over its finances and the political durability of president Boris Yeltsin.

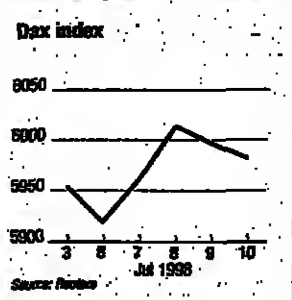
After its surge so far this year, therefore, many analysts expect the Dax to mark tima for a while before gathering the energy for a renewed rise.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Dax index



Source: Reuters

TOKYO

By Alexandra Harney

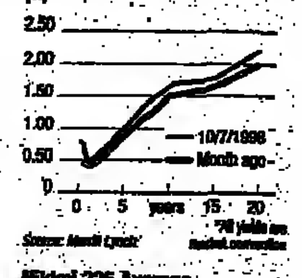
Tokyo's stock market is likely to be heavily influenced by political developments this week, following the parliamentary elections over the weekend.

A poor showing for the LDP could mean the resignation of Ryutaro Hashimoto as prime minister. The resulting shake-up would unsettle the market, which has surged above 16,000 in recent weeks.

Last week, the Nikkei 225 index fell 400 points to 16,090.06. Although investors had been optimistic about government proposals for tax cuts and reform of the tax system, the market was disappointed as politicians failed to present a concrete plan. This pessimism is likely to continue in the reshuffling after the election.

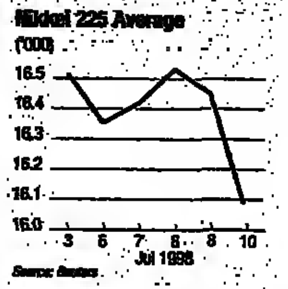
Visits from foreign bankers are likely to focus attention on the financial sector. The Bank of International Settlements holds its annual central governors meeting in Tokyo on Monday. Alan Greenspan, US Federal Reserve chairman, will meet with Masaru Hayami, Bank of Japan governor, the same day. The East Asian Pacific Central Banks executive meeting, which starts on Tuesday, will include central banks of Hong Kong, Indonesia, and South Korea.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Nikkei 225 Average ('000)



Source: Reuters

LONOON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov	Grs yld	P/E net
-	F.P.	8.77	67½	65½	Adval	66½		-	-	-	17.6
§100	F.P.	82.2	103½	100	Advance Dev Mkts	102¾	-½	-	-	-	-
§100	F.P.	39.0	108½	103½	†Anglo Siber Oil	107½		-	-	-	-
§150	F.P	102.5	164½	154½	Brit Regal Air	158½		L1.48	0.9	1.2	57.1
§	F.P.	19.0	11½	11¼	†CCM Distribution	11½		-	-	-	-
§100	F.P.	17.5	82	54½	†City Gourmets	55		-	-	-	-
-	F.P.	24.8	101½	97½	Dresdner RCM Endow	99		-	-	-	-
-	F.P.	24.3	100	90	Dresdner RCM Inc	90	-½	-	-	-	-
-	F.P.	23.3	101	99¾	Dresdner RCM Zr	100¼		-	-	-	-
§	F.P.	269.8	2475	1887½	ECsoft	2475	+137	-	-	-	-
-	F.P.	140.6	231½	180½	Game	190½	-2	L2.64	3.0	1.7	24.1
-	F.P	34.6	147	128	HM	130		L2.2	0.7	2.1	9.0
§136	F.P	38.3	140	130	†Interior Servs	135		N3.15	3.0	2.9	14.2
§300	F.P.	21.3	255	225	†JSB Software Tech	225½		-	-	-	-
§–	F.P	0.40	40	7½	†London Town Wts	40	+5	-	-	-	-
§	F.P.	11.3	13¼	11¼	†Murray Fincl	11¼		-	-	-	-
§–	F.P.	29.7	210½	162½	†Policy Master	210	+½	-	-	-	45.9
-	F.P	54.7	157½	135½	Quantica	140½		-	-	-	23.7
§–	F.P.	30.1	97½	82½	†Sports & Outdoor	97½	+7	W-	-	-	37.1
-	F.P.	14.1	145	117½	†Touchstone Grp	144½		L1.0	6.9	0.9	20.9
*	F.P.	14.7	102½	92½	‡Tricorder Tech	96½		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998 High	1998 Low	Stock	Closing price p	+or-
400	Nil	29/7	62½pm	60½pm	Cox Insurance	62½pm	
130	Nil	30/7	20½pm	20pm	First Choice Hol	20pm	
40	Nil	21/7	2pm	1½pm	LEPCO	1½pm	
36	Nil	20/7	3pm	1¼pm	Merlin Intl	1½pm	
25	Nil	28/7	2pm	1¼pm	Oliver Grp	1¼pm	
60	Nil	22/7	25½pm	17½pm	Omnipedia	20pm	+2½

pm premium.

FTSE GOLD MINES INOEX

	Jul 10	% chg since 31/12/97	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (27)	970.38	-8.3	29.72	100.00	2.37	--	1836.46	891.23
■ Regional Indices								
Africa (10)	1042.41	-5.6	8.49	28.56	4.43	40.35	1525.28	914.31
Australasia (7)	1117.09	-3.4	2.87	9.65	2.94	7.34	1809.85	933.63
North America (10)	929.59	-10.8	18.37	61.80	1.32	39.87	1574.16	864.86

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial.

STOCK INOICES

	Jul 10	Jul 9	Jul 8	Jul 7	Jul 6	1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE 100	5920.7	5969.7	6009.6	6003.4	5980.3	6105.8	5068.8	6105.8	986.9
FTSE 250	5628.8	5633.3	5622.0	5603.3	5588.5	5888.6	4789.3	5888.6	1379.4
FTSE 250 ex IT	5875.2	5677.7	5663.7	5642.7	5832.2	6030.0	4822.5	6030.0	1378.3
FTSE 350	2882.0	2878.1	2892.8	2888.6	2882.0	2835.8	2444.7	3548.4	664.5
FTSE SmallCap	2578.91	2586.79	2589.55	2584.82	2598.64	2868.09	2320.18	2888.09	1363.79
FTSE SmallCap ex IT	2564.61	2571.84	2573.75	2580.89	2588.66	5554.10	2316.19	5554.18	1363.79
FTSE All-Share	2787.48	2802.80	2816.40	2812.87	2807.13	2888.89	2389.32	2888.89	61.92
FTSE Fledgling	1413.63	1418.80	1417.07	1420.95	1426.49	1517.11	1265.77	1517.11	31.14
FTSE Eurotop 100	2959.09	2983.70	2998.66	2984.86	2980.41	2988.66	2236.40	2998.66	2044.47
FTSE Eurotop 300	1282.33	1290.46	1295.48	1288.80	1285.73	1295.48	971.98	1295.48	874.08
FT 30	3898.9	3904.5	3925.3	3932.8	3898.4	3948.7	3235.4	3948.7	49.4
FT Govt Securities	105.43	105.38	105.04	105.16	105.39	108.77	93.31	141.84	49.18
FT Fixed Interest	144.14	143.97	143.78	143.87	143.85	148.76	115.32	148.76	50.53
FTSE Gold Mines	970.38	980.20	1015.58	1042.27	1022.71	1351.57	923.63	2874.61	903.02

COMPANIES DIARY

Coca-Cola Beverages makes debut

A fizzing first day's trading is expected for Coca-Cola Beverages

Shares in Coca-Cola Beverages, the new Coke anchor bottler for central and eastern Europe, make their debut on the London Stock Exchange today, with trading in Sydney tomorrow.

There are plenty of economic uncertainties in the region covered by the new company, and it is unlikely to pay a dividend for the foreseeabla future as it invests in distribution facilities.

Also, its success is heavily dependent on its relationship with the Coca-Cola Company, the Coke network's parent in Atlanta, which will own 50.1 per cent of the shares.

Shares will start trading at 160p, the upper end of the 125p-160p range predicted by analysts, with institutions scrabbling for the 20 per cent of shares on offer as it will be an essential buy for trackers.

TUESDAY

● General Motors the US carmaker, is expected to report second-quarter earnings per share sharply lower than a year ago, while rival Chrysler is seen rising by 101.4 per cent. Meanwhile, analysts forecast that Ford, the other of the Big Three automotive groups, will fall by 9.3 per cent.

According to the IBES consensus of analysts' forecasts, GM will report earnings of 51 cents per share, down 74 per cent on the previous $1.99. Chrysler is expacted to report today (Monday) doubled earnings per share of $1.41. Ford is expected to report on Wednesday earnings of $1.80, down 9.3 per cent. Analysts reviewed their predictions for GM at the end of June after the company warned that the strike at its two Michigan assembly plants will cut earnings by $1.79 a share in the second quarter.

The announcement surprised analysts, whose end-June forecasts, including the impact of four weeks of strike, originally called for earnings of $1.55, down 21.9 per cent from a year earlier.

For the rest of 1998, the three US manufacturers would continne to benefit from a favourable consumption environment, analysts said.

● Intel is unlikely to impress when it reports second-quarter results, as the company succumbs to weaker industry trends, a continned slowdown in demand from computer manufacturers and subdned economic conditions in Asia.

The company is expected to report second-quarter earnings of 68 cents fully diluted, compared with 92 cents a year earlier, according to the IBES consensus of 37 analysts' forecasts in tha 62-76 cents range.

However, Intel was upbeat on the prospects for declining inventories in the recent qnarter, predicting also seasonal strength in the second half, especially in Europe and the US.

Analysts referred to a recent survey from the Semiconductor Industry Association which confirmed the pace of semiconductor sales continned to alow in May.

The SIA found that global sales fell to $9.99bn (£6.13bn) in May against $11.46bn a year earlier and from $10.4bn in April, adding to recent evidence that 1998 will end with a year-on-year contraction in sales. *AFX, New York.*

THURSDAY

● SBC Communications is expected to report second-quarter earnings per share of 50 cents (45 cents), while earnings for Ameritech – for which SBC has made a $60bn bid – are put at 62 cents (56 cents). They added that SBC's offer will remain the focus for followers of the regional bell operating companies over the forthcoming second quarter.

Ameritech's revenue is forecast to have improved by about 7 per cent to $4.3bn; SBC's revenue is seen growing by a similar extent, to $6.5bn, according to analysts' estimates. *AFX, New York.*

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Federal Home Loan Banks	2bn	Jul 2000	5.50‡	99.779R	5.618	+18½(Jun00)	ABN Amro
Westpac BC, NZ Branch(k)‡	500	Jul 2001	(k1)	99.973R	-	-	Morgan Stanley DW
3M Deutschland	200	Jul 2001	5.75	100.00R	5.750	+25(5⅝May01)	Warburg Dillon Read
Fannie Mae(y)★	2bn	May 2008	6.0(B)	101.532R	5.792	+37½(May08)	CSFB/Merrill/JP Morgan
Merrill Lynch & Co	700	Jul 2010	6.50‡	99.15R	6.577	+47(6⅝Nov27)	Merrill Lynch Intl
Merrill Lynch & Co	500	Jul 2005	6.00‡	99.364R	6.133	+60(6½Aug05)	Merrill Lynch Intl
Svenska Handelsbanken‡	400	Jul 1999	(w)	100.028	-	-	Merrill Lynch Intl
IBM Corp	250	Jul 2002	6.00	100.274R	5.921	+40(5⅝May01)	Warburg Dillon Read
Gillette Company	200	Aug 2001	5.75	99.982R	5.757	+24(5⅝May01)	ABN Amro
Federal Home Loan Banks	200	Jul 1999	zero	94.652	5.616	+20(T-bill)	Nomura International
@Entertainment(x)	125	Jul 2008	(x1)#	49.643	14.50	+910(5⅝May08)	Merrill Lynch & Co
BP America	280	Jul 2001	5.75	100.046R	5.739	+22(5⅝May01)	Deutsche Bank
Rabobank Nederland(A)	100	Jul 2008	6.375	100.00R	-	-	Morgan Stanley DW
CAM Global Finance†	300	Jul 2003	(F)	99.858R	-	-	Deutsche Bank
ABB International Finance	200	Jul 2002	5.75(s)	100.97R	5.730	+25(5⅝May01)	Warburg Dillon Read
D-MARKS							
Chase CCMT, Srs 1998-4(l)	1bn	Aug 2008	5.00(l)	99.43R	5.073	+37(5¼Jan08)	Barclays/Chase
St Gobain Netherlands(c)	500	Jul 2008	5.125	99.80R	5.137	+43(5¼Jan08)	Deutsche/Dresdner KB
LB Rheinland-Pfalz(p)	2bn	Jul 2005	4.50	98.993R	4.672	+10(6⅞May05)	Goldman/WestLB
Republic of Argentina	750	Jul 2005	7.875	90.14R	8.040	+340(6⅞May05)	Bayerische Landesbank
R&R Finance Ltd Jersey	500	Jul 2005	5.50	99.966R	5.506	+83(6⅞May05)	ABN Amro
Royal Bank of Scotland	500	Jul 2000	5.25	99.263R	5.347	+65(5¼Jan08)	Goldman Sachs & Co
Bayerische VB Overseas	250	Aug 2002	4.25(l)	99.56R	4.372	+12(4¼May02)	Baye/VB/CSFB
Municipality of Budapest	150	Jul 2003	4.75	99.35R	4.900	+57(6¼Apr03)	DG Bank
European Inv'ment Bank(f)	3bn	Apr 2008	5.00	101.698R	4.785	+12(5¼Jan08)	CSFB/Dresdner KB
Ste of Baden-Wuerttemberg	750	Aug 2008	4.75(l)	99.136	4.86	+10(4¾Jul08)	Barclays Capital
Hungarian Foreign Trade Bk	250	Aug 2005	5.125	99.626R	5.190	+61(6⅞May05)	Bayerische Landesbank
DBV-Winterthur Holding(D)§	100	Jul 2003	0.75	100.00	-	-	Commerzbank
DBV-Winterthur Holding(E)§	100	Jul 2003	0.875	100.00	-	-	Commerzbank
BAT International Finance	1bn	Jul 2006	5.375	99.50R	5.454	+80(l)	Dresdner KB
Stadtsparkasse Koln†	1bn	Jul 2005	(G)	100.025	-	-	Dresdner KB
Airtouch Communications(H)	400	Jul 2008	5.50	99.804R	5.526	+85(5¼Jan08)	JP Morgan
STERLING							
BAA plc(n)	200	Aug 2028	6.375	99.048R	6.449	+103(6%Dec28)	Barclays/Salomon SB
Meridian Hospital Co(y)	91.2	Jun 2028	4.1(n)	100.026	4.251	+160(IL-2016)	Barclays Capital
Rabobank Nederland	250	Jul 2004	6.50	99.834R	6.534	+44(6¾Nov04)	Barclays Capital
Fannie Mae(J)	300	Jun 2002	6.875‡	100.551R	6.705	+34(7%Jun02)	Merrill/Morgan Stanley
ICI Co-ordination Centre	100	Jul 2000	7.50(l)	99.715	7.66	+80(8%Dec00)	Warburg Dillon Read
FRENCH FRANCS							
BNG(n)	1.5bn	Jan 2013	5.375	102.137R	5.167	+21½(l)	Paribas/SG
Promodes(z)(y)	3.036bn	Jul 2003	3.50	100.00	-	-	SG
Stade France	798.3	Aug 2013	5.25(l)	98.46	5.389	+35(l)	CSFB
YEN							
Export Finance Ins Crp(x)★	16.5bn	Jul 1999	3.0(l)	100.00	-	-	Nikko Europe
ITALIAN LIRE							
Banca Popolare di Lodi(a)§	255bn	Jul 2003	(a)	100.00	-	-	ABN Amro Rothschild
World Bank(d)‡	400bn	Jul 2013	(d1)	99.70R	-	-	Deutsche Bank
SWISS FRANCS							
UBS Jersey Branch(f)	225	Aug 2001	8.00	100.00	-	-	Warburg Dillon Read
GUILDERS							
ASR Verzekeringsgroep(g)§	400	Jul 2005	3.00	100.00	-	-	ABN Amro
Rabo Securities(r)	100	Jul 2000	9.625	100.25	-	-	Rabo Securities
EUROS(e)							
St George Bank‡	200	Jul 2003	(g)	99.903R	-	-	SG/Warburg DR
European Community(h)‡	118	Jul 2013	(h1)	100.175	-	-	Salomon Smith Barney
Province of Buenos Aires	100	Jul 2002	7⅞(s)	100.00R	7.875	+354(Jul02)	Chase Manhattan Intl
Electricité de France	1bn	Jan 2009	5.00(l)	99.872R	5.005	+16(l)	Deutsche Bank
Bremer Landesbank‡	500	Jul 2001	(l)	100.04R	-	-	BNP/Morgan Stanley
Spintab‡	250	Jan 2000	(u)	100.04	-	-	CSFB
LKB Baden-Wuerttemberg	500	Jul 2005	4.625	99.357R	4.735	+17(6⅞May05)	Barclays Capital/BNP
Santander Finance(A,s)	250	undated	6.15(Q)	100.00	6.293	-	Santander/Warburg DR
CANADIAN DOLLARS							
GECC(J)	100	Jun 2001	5.25	99.8755R	5.291	+14(5%Mar03)	RBC DS Global Markets
NEW ZEALAND DOLLARS							
KfW International Finance	100	Jul 2002	7.50	101.425	7.079	-	TD Securities
GREEK DRACHMA							
Bayerische Landesbank	10bn	Jul 2001	9.00	100.00R	9.000	-	Merrill/RBC DS
SOUTH AFRICAN RAND							
European Investment Bank	350	Jul 2003	15.00	99.22	15.23	-	RBC DS Global Markets

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Fixing expected 10/7/98. Indicated conv prem: 15-20% and coupon: BTPs +25bp to -25bp. Amount depends on sizing of related equity offering. b) Credit Card Master Trust. Priced today 36-37bp over bunds. c) Plus 20 days accrued. Fungible with FFr1.5bn upon Emu. d) Callable on 31/7/03 and 08 at par. d1) 10% in yr 1, 6% in yr 2, then 15% - 2 x 12-mth Libor. e) Payments in Ecu prior to Emu. Spread relates to French govt Ecu bonds. f) Redeemed at par or 8.6 UBS shares per SFr5,000 bond. g) 3-mth Libor +15bp. h) Callable from Jul 99 at par. Amortises in equal annual instalments from 24/7/09. h1) 6-mth Libor -5bp. i) Over interpolated yield. j) Redeemed at par or 31 Aegon shares per LFr10,000 bond. k) Callable from Jul 00 at par. k1) 3-mth Libor flat. l) Long 1st coupon. m) Spens clause. n) Fungible with FFr2bn. Plus 49 days accrued. o) Redeemed in Y unless Y/$ falls to 111.10. p) Offentliche Pfandbrief. q) Conversion price: Fl 230. Callable from 15/7/01 subject to 130% hurdle at par. r) Redeemed at par or 217 ABN Amro shares per Fl 10,000 bond. s) Short 1st coupon. t) 3-mth Libor flat. u) 3-mth Libor -5bp. v) Fungible with $3bn. Plus 63 days accrued. w) 3-mth Libor -6¼bp; long 1st. x) Callable from 15/7/03 at 107¼% falling ratibly to par. Equity clawback. x1) zero to 15/7/03, then 14.5%. y) Linked to RPI. z) Danone: FFr5,300 + one 5-yr wrt to Promodes shares at FFr15,300. Wts redeemable at FFr150. A) Preference shares. Callable from 5/8/03 at par. B) Callable after 2 yrs at par. C) Fungible with E2bn and L3,000bn upon Emu. D) Exchangeable into SAP preferred shares at DM1,544.13. E) Exchangeable into Volkswagen shares at DM254.70. F) 3-mth Libor +6¼bp. G) 3-mth Libor flat. H) Make-whole call at bunds +10bp. J) Fungible with £1.25bn. Plus 40 days accrued. K) Fungible with C$100m. Plus 62 days accrued. Q) Quarterly. Note: Yields are calculated on ISMA basis.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Booker ADR $1.3074
Energy Technique 1p
Hillsdown ADR $0.598
Kingfisher ADR $0.6887
Land Securities 20.4p
Leeds 2.4p
Murray VCT (2) 2.56p
National Power 7⅛% Nts 2001 $71.25
Prowting 2.5p
Sanderson 2.7p
Severn Trent 11½% Bds 1999 £575
Smart (J) 2.7p
Victoria 3.5p
Walker, Crips, Weddle, Beck 3p
WPP 1.43p

■ TOMORROW
British Gas Intl Finance 6¼% Bds 2003 $62.50
Fluor $0.20
Greycoat 1.5p
Hay (N) 1p
Hay & Robertson 5% Prf 1.75p
Kobe 6⅜% Bds 2003 $318.75
People's Construction Bank of China FRN 1998 $310.31
Do FRN 2000 $315.34
Sanwa Australia Finance FRN 2005 $3048.09
Shaftbane 3p
Tate & Lyle 5.3p
Do ADR $0.3524
Treasury 13% 2000 £6.50

■ WEDNESDAY JULY 15
Aberdeen Convertible Income Tst 1.8p
Albion 0.8p
American Medical Intl 9⅞% Unsc Ln 2011 £4.9375
Anglo American Coal R10
Barclays Bank Index Certs 1998 £1.91
Do 12% Unsc Cap Ln 2010 £6
BCE $0.34
Churchbury Estates 4.2% Cm Prf 2.1p
City Mortgage Rec 2 FRN Oct 2023 £44.16
City Mortgage Rec 3 FRN Oct 2023 £39.27
Do Class B FRN Oct 2023 £72.43
Do Rec 4 Class B FRN Aug 2028 £72.43
Do Rec 5 Class A Defd FRN Sept 2032 £21.62
Do Class B FRN Sept 2032 £82.71
Do Rec 8 Class A FRN Mar 2029 £47.47
Do Class B FRN Mar 2029 £72.43
Dares Estates 10¼% 1st Mtg Deb 2012 £5.125
Edinburgh Inv 3¾% Deb 1998 £1.875
Electricity Supply Board 8¼% 2013 I£4.125
Energy Capital Inv 6p
Franklin Res $0.05
Govett Strategic Inv 10⅜% Deb 2016 £5.1875
Granada FRN 1998 £2066.59
Greece 5% Natl Ln 1907 5p
Do 5% Natl Ln 1907 Bds of 1965 62.5p
Guangdong Devlpt Fd $0.05
Helical Bar 5¼% Cv Rd Prf 2.625p
Ireland 7½% Cap 1999 I£3.75
Ireland 9% Govn Bd 2001 I£4.50
Irish Permanent 8⅛% Bds 2004 I£4.21507
Johnson Fry Utilities 1.32p
Do Income 1.32p
Landround 1.6p
Locker (T) 0.7p
London Secs 2p
Mitsubishi Chemical 5¾% Nts 1998 $57500
Motorola $0.12
Murray Intl 3.9% Prf 1.95p
North Surrey Water 4% Deb £2
Do 4¼% Deb £2.125
Do 5¼% Deb £2.625
Occidental Ptrlm $0.25
Perkins Foods 8p Cm Prf 4p
Quaker Oats $0.285
Rank Group Finance 6⅜% Gtd Nts Jan 2008 $31.875
Do 7⅛% Gtd Nts Jan 2018 $35.625
SmithKline Beecham 1.35p & 1.075p
Do ADR $0.2257
Suzuki Motor 4¾% Bds 1999 Y475000
Sweden 11% Ln 2012 £550
Treasury 8½% 2007 £4.25
Value Realisation 1.4% Cv Unsc Ln 2006 £1.40
Yokohama 6¼% Bds 2003 $62.50

■ THURSDAY JULY 16
Abbey Natl Treasury 7½% Gtd Nts 1998 C$75
Aberdeen European Inv 0.5p
Anglo Irish Bank I£1.85p
Anglo & Overseas 4½% Cm Prf 1.575p
BP America 9¼% Gtd Nts 1999 A$92.50
Commonwealth Bank of Australia FRN July 1999 $282.81
Do FRN July 2000 $282.81
European Inv 9% Ln 2001 £225
Gooch & Housego 0.5p
Hongkong & Shanghai Primary FRN $74.25
Hozelock 3.4p
Le Riche 20p
NatWest Non-Cum Prf Series A $0.532
Do Series B $0.4375
Do Primary FRN Series A $292.24
Northern Investors 6p
Saatchi & Saatchi ADR $0.1228

■ FRIDAY JULY 17
Abbey Natl Treasury Gtd FRN 2001 Lire66,996
Howle 0.3p
Hyder 8¾% Bds 2006 £87.50
Index Linked 2½% 2024 £2.0426
Jennings Bros 3p
St Paul Cos $0.25
Scottish Inv 2.15p
Whitbread 19.2p

■ SATURDAY JULY 18
Celtic Residential Irish Mtg Secs Class B FRN 2030 I£944.60

■ SUNDAY JULY 19
Index-Linked 2% 2006 £2.29
Ireland Var Rate Treas Bd 2000 I£1.48

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Ensor Holdings, Ellard Hse, Roundthorn Industrial Estate, Dallimore Rd, Manchester, 12.00

BOARD MEETINGS:
Finals:
Ashtead
Druck
Ellis & Everard

Interims:
Olim Convertible Tst

■ TOMORROW
COMPANY MEETINGS:
Airflow Streamlines, Northampton Moat Hse, Silver St, Northampton, 12.00
German Smaller Companies Inv, Hill Samuel Asset Management, 10 Fleet Place, Limeburner Lane, EC4, 12.30
Great Portland Estates, Le Meridien, 21, Piccadilly, W1, 11.30
Locker (Thomas), Locker Process Solutions Conference Room, Church St, Warrington, 10.30

BOARD MEETINGS:
Finals:
Goode Durrant
Trifast
Zetters Group
Interims:
Lorien

■ WEDNESDAY JULY 15
COMPANY MEETINGS:
Aberdeen European Investment, One Bow Churchyard, Cheapside, EC4, 12.30
Acal, Pinners Hall, 105-108, Old Broad St, EC2, 11.00
British Telecommunications, York Barbican Centre, Barbican Rd, York, 10.30
Expro International, Butchers' Hall, Bartholomew Close, EC1, 10.00
Plysu, Robert Fleming & Co, 25, Copthall Avenue, EC2, 2.30
Sims Food, Letchworth Hse, Chesney Wold, Bleak Hall, Milton Keynes, 12.00

BOARD MEETINGS:
Finals:
First Technology

Interims:
Bullough
Scottish American Inv

■ THURSDAY JULY 16
COMPANY MEETINGS:
Airsprung Furniture, Canal Rd, Trowbridge, Wiltshire, 12.30
Amberley, Pinsent Curtis, 3, Colmore Circus, Birmingham, 12.00
Gartmore Shared Equity, Fenchurch Exchange, 8 Fenchurch Place, EC3, 10.00
Marks & Spencer, Grosvenor House Hotel, Park Lane, W1, 11.00
Northumbrian Fine Foods, Dukesway, Team Valley, Gateshead, Tyne & Wear, 10.30
Yates Brothers Wine Lodges, New Pack Horse Hotel, Bradshawgate, Bolton, 10.30

BOARD MEETINGS:
Finals:
Banks (SC)
McKay Securities
Reliance Security
Smith (D)
Smith (WH)
Vega

■ FRIDAY JULY 17
COMPANY MEETINGS:
Chesterfield Properties, 38, Curzon St, W1, 11.00

Company meetings are annual general meetings unless otherwise stated.
Reports and accounts are not normally available until six weeks after the board meeting to approve the preliminary results.
This list is not comprehensive since companies are not obliged to notify the Stock Exchange of announcements.

CONFERENCES AND COURSES

CONFERENCES

Doing Business in Azerbaijan
Keynote address: His Excellency Heydar Aliyev, President, Azerbaijan Republic
Delegation includes:
- Nadir Nasibov, Chairman, *State Property Committee*
- Fuad Akhundov, Chairman, *International Bank of Azerbaijan*
- Elman Rustamov, Chairman, *National Bank of Azerbaijan*
- Natik Aliyev, President, *SOCAR*
- Ershad Aliyev, *Minister of Agriculture*
- Namik Nasrulayev, *Minister of Economy*
- Nadir Akhmadov, *Minister of Telecommunications.*

Contact: Sarah Ritchie
Tel: +44 171 453 2038
Fax: +44 171 323 4298
Email: sarah.ritchie@ibcuk.co.uk
Online: www.ibc-uk.com/FE1101
London

JULY 29 10.00-13.00
Fabian Business Seminar
'Building UK Competitiveness'
Rt Hon Margaret Beckett MP, President, Board of Trade
and:
Peter Agar, CBI
Chris Humphries, BCCI
Bridget Rosewell, Business Strategies
Richard Stokes: ICL
Price: £176.25 inc VAT
Information: Neil Stewart Associates
Telephone: 0171 222 1280
Millbank Media Centre, LONDON

JULY 30
DEFENCE: The Strategic Defence Review
Part 1 of this conference was held as a highly successful strategy round table in April.
Part 2 looks at the implications for the defence industries of the Review itself as well as at its consequences for the armed forces and British Defence and foreign policy. Some 10 place remain available. Sponsored by EDS, GEC-Marconi, PricewaterhouseCoopers. Devised by Lord Chalfont and Paul Beaver.
Contact: Cityforum Ltd
Tel: 01225 466744
Fax: 01225 442903
LONDON

SEPTEMBER 1 - 4
Japan and Europe
Topics: implications of Japan's economic crisis, reforming Japan's financial sector, market access, promoting joint ventures, inward investment, and implications of EMU. Interactive international conference with 50 well-informed participants from business and government.
Contact: Fran Martin,
Wilton Park,
Wiston House, Steyning,
West Sussex BN44 3DZ, England
Telephone: +44 1903 817777
Fax: +44 1903 815931
Email: frances.martin@wiltonpark.org.uk
Near LONDON

SEPTEMBER 13 - 18
17th Congress of the World Energy Council
Premier energy event of century.
Focus on energy, technology, sustaining world development into next millenium.
Tel (toll-free): 888 324 4932
Tel (outside U.S.A.): 202 331 0415
www.wec98congress.org
Houston, TEXAS - USA

SEPTEMBER 13 - 19
Cambridge Seminar 1998
Strategic Marketing of Financial Services Survival into the 21st Century
Speakers include Sir Brian Pitman, Lord Thomas, Lord Butler and Sir Roland Smith. Group case study work forms major part of week.
5 days, £2450 + VAT (includes all materials, accommodation and meals)
Contact: Tracey Robinson
The Chartered Institute of Bankers
Tel: +44 1227 818600
Fax: +44 1227 453547
Email: trobinson@cib.org.uk
Christ's College, CAMBRIDGE

SEPTEMBER 15 & 16
The 2nd FT World Water Conference
Confirmed speakers include Mr W J Alexander, Thames Water plc; Mr Preben Nielsen, Asian Development Bank; Mr Jan Prins, ABN AMRO Bank NV and Dr Leon Awerbuch, Overseas Bechtel.
Contact: Sarah Gibb, FT Conferences
Tel: (+44) 171 873 3450
Fax: (+44) 171 873 3067
Email: sarah.gibb@ft.com
LONDON

Intelcom 98 - The Wireless Economy
The Wireless Economy Conference and Exhibition uniquely for the first time represents the totality of the exploding European mobile and wireless communications industry. Supported by 18 key associations, hear 100 CEOs and VPs unveil their future visions for the multi-billion cellular, mobile data and internet, mobile satellite, paging, trunked radio, mobile e-commerce, wireless access, network management, and broadband multimedia content sectors.
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Intelcom98
Earls Court, London

Conferences & Courses

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For further information contact
MBA International Division
Tel: 202 861 6680
Fax: 202 861 0736
Email: international@mbaa.org
Mortgage Bankers Association of America
Maui, Hawaii, USA

OCTOBER 14 & 15
FT World Mobile Communications Conference
This annual FT conference has once again attracted an international audience of senior executives from the mobile industry. Speakers include: Mr Hans Snook, Orange plc; Dr Jung-Uck Seo, SK Telecom.
Contact: Sian Fiancourt
FT Conferences
Tel: 0171 873 3262
Email: sian.fiancourt@ft.com
www.ftconferences.com
LONDON

OCTOBER 20 & 21
The 2nd Utility Congress - The Competition Audit
A two day conference and exhibition organised by Utility Week magazine will address key issues facing the utility industry. Speakers include: Phil Nolan, Transco; Keith Orchison, Electricity Supply Association of Australia; John Easton, Edison; Chris Mellor, Anglian Water; John Roberts, Electricity Association, Mike Bemis, London Electricity
Tel: +44 181 652 3818
Fax: +44 181 652 3482
E-mail: angela.jones@rbi.co.uk
BRIGHTON

OCTOBER 28
The 3rd Annual FT Diamonds Conference
Confirmed speakers include Mr James R Rothwell, BHP Diamonds Inc; Mr Ryo Yamaguchi, Gems International Co Ltd; Mr François Curiel, Christie's Europe; Mr Mark Cockle, Diamond International and a senior representative from De Beers.
Contact: Sarah Gibb
FT Conferences
Tel: +44 171 873 3450
Fax: +44 171 873 3067
Email: sarah.gibb@ft.com
ANTWERP

NOVEMBER 7 - 11
MILIPOL
International Security Exhibition
State security, industrial security, local community security, civil defence and other sectors of the security industry will be exhibited.
For detailed information
Fax: Arab-British Chamber of Commerce
0171 396 4499
or Fax: IMPEX
00 33 1 46 27 91 63
Doha, QATAR

The Tenth International Conference on Strategic Manufacturing
Theme: COMPETING IN A KNOWLEDGE ECONOMY
Europe's leading conference for decision makers in Manufacturing. Confirmed speakers include Stéphane Garelli from IMD, Harvard's Steven Wheelwright, Ian Croxford, Packaging Director UDV, Colin New from Cranfield Business School, and Ken Lewis of Dutton Engineering.
Further speakers to be announced.
For further information contact:
SI Associates
Tel: 44 (0)141 779 2112
Fax: 44 (0)141 779 3223
SI ASSOCIATES
Gleneagles Hotel, Scotland

DECEMBER 2 - 4
Venture Forum Europe '98
Arranged by FT Conferences and Venture Economics, the 9th annual Venture Forum Europe will provide industry leaders with an important opportunity to increase their understanding of the European venture capital marketplace.
Contact: Sarah Gibb
FT Conferences
Tel: +44 171 873 3450
Fax: +44 171 873 3067
Email: sarah.gibb@ft.com
LONDON

DECEMBER 7 & 8
The 17th FT World Pulp and Paper Conference
Distinguished speakers include Dr Claes Dahlback, President and CEO, Investor AB and Chairman, STORA AB; Mr John F McGovern, Executive Vice President and Chief Financial Officer, Georgia-Pacific Corporation; Mr Hakan Ostling, European Pulp and Paper Analyst, Goldman Sachs International and Mr Eugene Van As, Executive Chairman, Sappi Limited.
Enquiries: Joanna Edwards,
FT Conferences
Tel: (+44) 171 873 3374
Fax: (+44) 171 873 3067
Email: joanna.edwards@ft.com
www.ftconferences.com
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COURSES

JULY 19 - 22
BPP Financial Education
Cashflow Analysis
Comprehensive course covering corporate cashflow analysis. Will assist analysts to understand the ability of companies to repay debt. • Undertaking historical cashflows • Cashflow derived ratios • Interpretation of cashflows • Projections based on historical data • Computerised sensitivity analysis • Includes workshop.
Contact: Hilary Jackson
Tel: 0171 628 8444
Fax: 0171 628 7818
Email: bpptraining@compuserve.com
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JULY 20 - 31
BPP Financial Education
Global Trading and Capital Markets
10 day course giving detailed view of the securities markets. Examines the main product groupings together with trading techniques & associated risks. Includes an introduction to Foreign Exchange as it affects the Capital Markets. • Bonds • Swaps and swaptions • Equity • Futures • Options • Foreign exchange. DETAILED OUTLINE AVAILABLE.
Contact: Hilary Jackson
Tel: 0171 628 8444
Fax: 0171 628 7818
Email: bpptraining@compuserve.com
CENTRAL LONDON

JULY 22 - 24
Advanced Financial Modelling with Excel
Aimed at those whose work involves the use of Excel to develop financial models particularly those in M&A, acquisition financing and project finance. Modelling techniques include • Array arithmetic • Linear Regression • Optimisation • Monte Carlo Simulation • Financial Framework for Modelling • Development of a fully integrated acquisition model • Assumes intermediate knowledge of Excel
Contact: Ruth Reily at FSMD for details
Tel: 44 (0) 1625 530050
Fax: 44 (0) 1625 523937
E-Mail: training@fsmd.co.uk
LONDON

JULY 23 - 24 ***Additional Date***
BPP Financial Education
Equity Market Trading
For those new to equity trading. Gives an understanding of how the markets work covering key aspects including dealing conventions, market practices and how a market maker runs the book. • Background • Dealing conventions in UK equity trading • The book • Influences on equity prices • Emerging equity markets • Changing trading systems • Globalisation
Contact: Hilary Jackson
Tel: 0171 628 8444
Fax: 0171 628 7818
Email: bpptraining@compuserve.com
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AUGUST 12 - 14
Effective Negotiating Skills
• The Negotiating Range • Power Bases • Trading Concessions • Principles (win-win) of Negotiation • Communicating to Influence • The Phases and Stages (process) of Negotiation • Telephone Negotiation, Team Negotiation.
3 Days £945 + VAT
Contact: Birchin Training & Consulting
New Address:
1 Lombard St, EC3V 9AA, London
Tel: 0171 929 6633 Fax: 0171 929 6644
Email: birchin@birchin.com
Internet: http://www.birchin.com
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AUGUST 17 - 21
Introduction to Corporate Credit Analysis
• Types of Borrowers and their needs • Techniques of Credit Analysis • Profit and Loss account and Balance Sheets • Spreading, Ratios, Key Indicators • Cashflow, Forecasts, Sensitivity Analysis • Business Plans, Debt Service Capacity, Covenants • Analysis of Risks
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AUGUST 24 - 26
Project Finance
• Project Risk • Feasibility Studies and Project Plans • Construction of Cashflows and use of Modelling • Risk/Return Prospects • Discounted Cashflows, IRR and NPV • Types and Sources of Finance including Equity • Special Purpose Vehicles and Financing Structures • Project Documentation
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OCTOBER 12 - 14
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OCTOBER 12 - NOVEMBER 30
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CURRENCIES & MONEY

All eyes on Japan

By Daniel Dombey

The results of the elections to Japan's upper house should be known this morning, but their implications may take several days to work through the forex markets.

If the ruling Liberal Democrats have done badly, Ryutaro Hashimoto, prime minister, may even contemplate resigning, a step which could set the markets alight.

"It's very hard to say whether LDP problems would be good or bad for the yen," said Paul Meggyesi at Deutsche Bank in London. "But the election result is what everyone is waiting for."

The elections are particularly important because the yen's recent weakness has helped tug down commodity-based and emerging market currencies across the world.

When the US Federal Reserve joined forces with the Bank of Japan in an intervention to defend the yen last month, it was widely seen as an attempt to buy time for the currency until after the elections. That time has now elapsed and the signs are of a febrile spell ahead.

Mr Hashimoto is scheduled to go to Washington to meet President Clinton on July 22. It had been thought he would use the time between the elections and his visit to develop policies on fiscal and banking reform but some in the market believe Mr Hashimoto remains averse to tax cuts and that another prime minister would do his job better.

Meanwhile, the rouble is likely to remain in the spotlight after signs last week that Russia's liquidity crisis is getting worse.

The markets will also be interested in the release of US consumer prices on Tuesday and trade figures on Friday. On Wednesday the UK will publish average earning figures, as well as the June minutes for the Bank of England's monetary policy committee, which will be scrutinised for the rationale for the UK's last rate rise.

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.33	94.33	-	94.33	94.32	30,927	504,622
Dec	94.31	94.32	+0.01	94.33	94.31	32,159	381,746
Mar	94.39	94.39	-	94.40	94.38	46,760	338,210

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.98	94.98	+0.01	94.99	94.98	44	3,787
Dec	95.06	95.08	+0.01	95.07	95.06	7	204
Mar	-	95.05	-	95.05	-	1	9

All Open interest figs. are for previous day

POUND IN NEW YORK

Jul 10	--Close --	-- Prev. close --
£ spot	1.6330	1.6320
1 mth	1.6305	1.6294
3 mth	1.6245	1.6240
1 yr	1.6020	1.6014

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Companies and Finance page in today's edition.

OTHER CURRENCIES

Jul 10	£	$
Czech Rp	52.9405 - 53.0366	32.4410 - 32.4840
Hungary	358.887 - 359.227	219.920 - 220.020
Iran	4898.10 - 4895.70	3000.00 - 3000.00
Kuwait	0.5018 - 0.5024	0.3075 - 0.3077
Peru	4.7651 - 4.7707	2.9200 - 2.9220
Poland	5.6709 - 5.6834	3.4750 - 3.4810
Russia	10.1888 - 10.1954	6.2435 - 6.2445
U.A.E.	5.9935 - 5.9971	3.6727 - 3.6731

BANK RETURN

The Bank Return table can be found on page 31 in today's edition.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

D-MARK FUTURES (IMM) DM 125,000 per DM

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.7154	0.7156	+0.0012	0.7200	0.7120	24,676	[illegible]
Dec	0.7230	0.7252	+0.0012	0.7290	0.7250	30	1,492
Mar	0.7363	0.7348	+0.0012	0.7364	0.7358	1	1,723

STERLING FUTURES (IMM) $62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	1.6268	1.6272	-	1.6288	1.6238	9,840	37,399
Dec	1.6200	1.6192	+0.0002	1.6200	1.6170	52	973
Mar	-	1.6112	+0.0002	1.6210	1.6100	3	3

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 (cents per DM)

BENCHMARK GOVERNMENT BONDS

UK INTEREST RATES

LONDON MONEY RATES

Jul 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	[illegible]	-	-

UK clearing bank base lending rate 7½ per cent from Jan 4, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc.

BANK OF ENGLAND TREASURY BILL TENDER

	Jul 10	Jul 3		Jul 10	Jul 3
Bills on offer	£100m	£100m	Top accepted rate	7.1797%	7.3401%
Total of applications	£789m	£515m	Ave. rate of discount	7.1596%	7.3401%
Total allocated	£100m	£100m	Average yield	7.2967%	7.4769%
Min. accepted bid	£98.210	£98.170	Offer at next tender	£100m	£100m
Allotment at min. level	100%	100%	Min. accept. bid 28 days	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	7.50	Exeter Trust Limited	8.50	•Singer & Friedlander	7.50
Allied Irish Bank (GB)	7.50	Financial & Gen Bank	8.00	•Smith & Williamson	7.50
•Henry Ansbacher	7.50	•Robert Fleming & Co	7.50	Sun Bank	7.50
Banco Bilbao Vizcaya	7.50	•Guinness Mahon	7.50	TSB	7.50
Bank of Cyprus	7.50	Habib Bank AG Zurich	7.50	United Bank of Kuwait	7.50
Bank of Ireland	7.25	•Hambros Bank	7.50	Unity Trust Bank Plc	7.50
Bank of India	7.50	Heritable & Gen Inv Bk	7.50	Whiteaway Laidlaw	7.50
Bank of Scotland	7.50	C. Hoare & Co	7.50	Yorkshire Bank	7.50
Barclays Bank	7.50	Hongkong & Shanghai	7.50		
Brit Bk of Mid East	7.50	Investec Bank (UK) Ltd	7.50		
•Brown Shipley & Co Ltd	7.50	Julian Hodge Bank	7.50		
Citibank NA	7.50	•Leopold Joseph & Sons	7.50		
Clydesdale Bank	7.50	Lloyds Bank	7.50		
The Co-operative Bank	7.50	Midland Bank	7.50		
Coutts & Co	7.50	NatWestminster	7.50		
Cyprus Popular Bank	7.50	•Rea Brothers	7.50		
Duncan Lawrie	7.50	Royal Bk of Scotland	7.50		
		Scottish Widows Bank	7.50		

• Members of London Investment Banking Association

UK GILTS PRICES

The FT GUIDE TO WORLD CURRENCIES, published in Monday's newspaper and covering over 200 currencies, is now available by dialing the following number from the handset of your fax machine, 0891 437 001. Calls are charged at 50p/min at all times. For more information or assistance please phone 0171-873 4378. (Cityline help desk)

EUROPEAN DEPOSITARY RECEIPTS (EDR) BEARER DEPOSITARY RECEIPTS (BDR)

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Morgan Guaranty Trust Company of New York
Brussels Office

Dividend	Payment Date	Coupon number	Gross amount (in USD)	Net amount (-15% tax) (in USD)	Net amount (-20% tax) (in USD)
Asahi Chemical Industry BDR	17/07/98	50	0.4286	0.3643	0.3428
Honda Motor Co EDR	14/07/98	46	0.6388	0.5429	0.511

Paying agents:
Bank Brussels Lambert, Belgium
Crédit Européen, Luxembourg

EDR and BDR holders who wish to and are entitled to receive payment of dividend under deduction of 15% Japanese withholding tax must provide the depositary or Bank Brussels Lambert with a declaration of residence by October 17, 1998.

JPMorgan

EURO PRICES

EQUITIES

Volatile markets lead to caution

EUROPEAN OVERVIEW

By Simon Davies

The bull market in trans-European equities continued to stumble on Friday as fears about the impact of volatile markets in Asia and Russia encouraged further caution.

There was also bad news from the US where the producer price index numbers were slightly higher than expected, which brought to a halt the ongoing flight to safety and, therefore, to government bonds.

The UK was particularly hard hit as the gilts market edged lower on fears over the interest rate outlook.

The FTSE Eurotop 300 index fell 8.13 to 1,282.33 on Friday, up 0.07 on the week. The Eurotop 100 index closed 24.61 lower at 2,959.09, while the Ebloc 100, which includes companies from the first wave of monetary union, ended the week at 1,083.94.

The financials sector finished the week strongly, pulled higher by German insurance group Allianz, which closed Ecu 15 higher at Ecu 344.5 after continuing rumours of a merger with Dresdner Bank.

There was also a flurry of activity in BMW after a magazine claimed that it was in discussions over a strategic alliance or merger with Italian competitor Fiat. BMW shares rose Ecu 26.8 to Ecu 987.32 despite some robust denials of the story.

By contrast, the high flying information technology sector fell back to earth, after a profits warning from SAP.

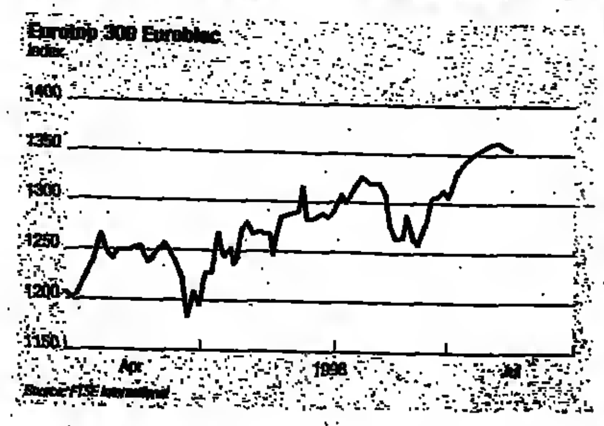
The German group's shares fell Ecu 26.9 to Ecu 544.29 after a strong set of profit figures were accompanied by a downbeat commentary on the outlook. Cap Gemini's shares closed at Ecu 139.66, down Ecu 6.1.

Dresdner Kleinwort Benson came out with a gloomy report on Germany late last week, despite its positive overall view of European equities.

"The equity mania in Germany is resulting in Dow-like mis-pricing," argues strategist Albert Edwards. "German equities are richly priced relative to both the bond market and the euroland average. On neutral views on earnings, the heavy exposure of the German market to industrial cyclicals would suggest that it should trade at a discount to the euroland average p/e and not the current premium."

Eurotop 300 Eurobloc

Index



Source: FTSE International

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

July 10

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total rate (Ecu)
FTSE Eurotop 300	1282.33	−0.63	−8.13	2.22	18.81	1312.81
FTSE Eurotop 100	2959.09	−0.82	−24.61	2.25	24.39	1054.53
FTSE Ebloc 100	1083.94	−0.22	−2.42	1.86	12.00	1086.70
FTSE Eurotop 300 Regions						
Eurobloc	1355.54	−0.30	−4.09	1.87	18.06	1380.35
UK	1159.78	−1.17	−13.98	2.37	21.82	1201.89
Europe Ex-Eurobloc	1221.58	−0.97	−12.01	2.30	13.59	1253.88
Europe Ex-UK	1352.45	−0.37	−5.05	1.92	17.22	1374.52
FTSE Eurotop Industry Sectors						
RESOURCES	968.70	−0.92	−0.22	2.92	19.78	1022.55
Extractive Industries	795.93	−1.49	−12.02	3.31	0.00	795.93
Oil, Integrated	954.87	−0.89	−8.57	2.91	12.88	957.70
Oil, Exploration & Prod	942.38	−1.53	−14.64	2.62	0.00	942.38
GENERAL INDUSTRIES	1270.84	−0.84	−10.75	2.30	17.82	1293.44
Construction	1001.21	−2.53	−25.97	2.58	11.06	1012.86
Building Matls & Merchs	1053.18	−1.13	−12.01	2.53	7.65	1060.50
Chemicals	1101.29	−0.48	−5.08	2.58	15.98	1118.75
Diversified Industrials	1040.59	−1.04	−10.96	2.12	16.20	1058.59
Electronic & Elect Equip	1080.97	−0.35	−3.75	1.89	3.25	1084.35
Engineering	1060.61	−1.48	−15.88	3.14	7.58	1068.41
Paper, Pckg & Printing	961.79	−0.87	−8.49	2.48	1.21	962.99
CONSUMER GOODS	1191.38	−1.54	−18.68	1.84	13.21	1218.18
Automobiles	1197.18	−1.00	−12.11	2.15	8.23	1208.10
Alcoholic Beverages	1032.49	−0.54	−5.61	2.19	5.82	1038.68
Food Producers	1050.65	−1.51	−16.14	1.61	7.80	1058.58
Household Goods & Txtls	1073.12	−1.78	−19.21	1.74	7.01	1080.13
Healthcare	1047.72	−0.24	−2.55	0.24	9.52	1058.37
Pharmaceuticals	1011.47	−1.82	−18.75	1.33	2.07	1013.80
Tobacco	1063.80	−0.44	−4.80	3.89	1.81	1085.64
SERVICES	1259.80	−0.85	−10.79	2.08	18.08	1287.35
Distribution	981.02	+0.33	+3.23	2.22	11.37	992.04
Leisure & Hotels	981.48	+0.01	+0.09	2.54	8.12	989.40
Media	1080.97	−0.78	−8.52	2.15	3.92	1084.43
Retailers, Food	1065.10	−0.52	−5.81	2.85	9.18	1075.05
Retailers, General	1033.28	−0.05	−0.49	2.54	13.17	1046.57
Telecommunications	1133.13	−0.87	−9.84	1.35	7.38	1141.35
Breweries, Pubs & Rests	948.45	−0.98	−8.35	3.21	8.89	956.01
Support Services	1074.45	−2.05	−22.48	0.94	5.88	1080.57
Transport	1106.52	−0.15	−1.63	2.22	7.82	1114.88
Information Technology	1188.54	−4.57	−55.91	0.35	2.23	1171.19
UTILITIES	1409.98	−0.20	−2.88	3.10	52.14	1485.04
Electricity	1062.64	−0.53	−5.59	3.39	24.85	1079.35
Gas Distribution	1130.12	+0.13	+1.70	1.67	84.81	1234.20
Water	1068.82	+0.83	+8.01	4.79	38.72	1131.44
FINANCIALS	1432.28	+0.21	+3.00	2.29	20.87	1463.25
Banks, Retail	1024.95	−0.11	−1.17	2.83	8.06	1033.32
Insurance	1072.22	+1.12	+11.85	1.24	8.25	1081.17
Life Insurance	1158.86	−0.51	−5.80	1.82	3.10	1160.70
Other Financial	1038.54	+0.84	+8.88	1.98	13.22	1053.26
Investment Companies	1067.13	−0.57	−6.14	2.35	20.88	1087.09
Property	835.47	−1.12	−9.46	3.28	16.01	850.82

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CURRENCIES & MONEY

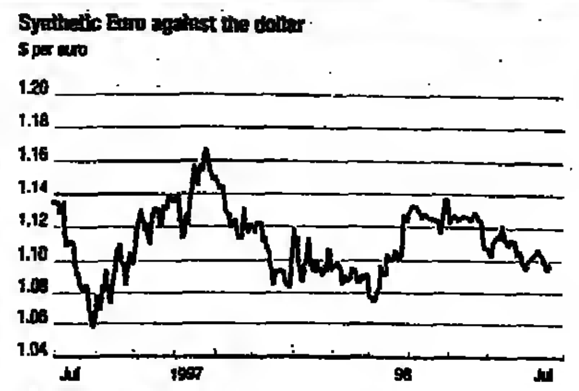
FT SYNTHETIC EURO RATES

Jul 10	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.066556	−0.0018	−0.01	−0.0022	−0.02
Belgium	BEF	41.236063	+0.0004	+0.00	−0.0114	−0.03
Czech Republic	CZK	35.098685	+0.1271	+0.36	+0.2289	+0.65
Denmark	DKK	7.613607	−0.0064	−0.11	−0.0055	−0.07
Finland	FIM	6.077976	−0.0009	−0.01	+0.0007	+0.01
France	FRF	6.702235	−0.0002	+0.00	−0.0015	+0.02
Germany	DEM	1.998454	−0.0002	−0.01	−0.0002	−0.01
Greece	GRD	332.401151	−0.9718	−0.29	−2.5487	−0.76
Hungary	HUF	241.865245	+0.5786	+0.24	+0.3167	+0.13
Ireland	IEP	0.794701	+0.0001	+0.01	+0.0007	+0.06
Italy	ITL	1971.028806	+0.4172	+0.02	+1.2484	+0.06
Luxembourg	LUF	41.236063	+0.0004	+0.00	−0.0114	−0.03
Netherlands	NLG	2.253906	−0.0004	−0.02	−0.0004	−0.02
Norway	NOK	8.481653	−0.0120	−0.14	−0.0585	−0.68
Poland	PLN	3.824507	+0.0021	+0.06	+0.0007	+0.02
Portugal	PTE	204.530920	+0.0141	+0.01	−0.1668	−0.00
Romania	ROL	9555.770225	+47.0719	+0.50	−18.7821	−0.20
Russia	RUB	6.868079	+0.0450	+0.66	+0.0126	+0.18
Slovakia	SKK	38.712965	+0.0649	+0.17	+0.0750	+0.10
Spain	ESP	169.711139	+0.0457	+0.03	−0.0010	+0.00
Sweden	SEK	8.871252	+0.0168	+0.19	−0.0274	−0.31
Switzerland	CHF	1.669799	+0.0053	+0.31	+0.0072	+0.43
United Kingdom	GBP	0.673632	+0.0031	+0.46	+0.0062	+0.92
ECU	ECU	1.011100	+0.0009	+0.09	+0.0007	+0.06
Americas						
Brazil	BRL	1.276449	+0.0067	+0.53	+0.0044	+0.34
Canada	CAD	1.625471	+0.0149	+0.92	+0.0120	+0.74
Mexico	MXN	9.848821	+0.0783	+0.80	+0.0098	+0.10
United States	USD	1.099628	+0.0064	+0.59	−0.0000	+0.00
Pacific/Middle East/Africa						
Australia	AUD	1.788795	+0.0041	+0.23	+0.0109	+0.61
Hong Kong	HKD	8.521350	+0.0496	+0.58	+0.0019	+0.02
Japan	JPY	155.020104	+0.5830	+0.38	+1.7580	+1.15
Singapore	SGD	1.898508	+0.0209	+1.11	+0.0275	+1.47
South Africa	ZAR	7.076108	+0.1998	+2.91	+0.0549	+0.78

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3064, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0366, ESP 0.0848, IEP 0.0116, PTE 0.0155, ATS 0.0328, FIM 0.0187.

Synthetic Euro against the dollar

$ per euro



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

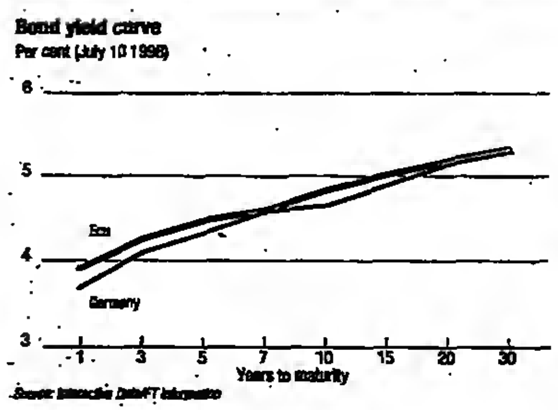
Jul 10	Fixed rate	Market rate	Diff fxd v mkt %	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.0352	+0.00	+0.00	7.0361	3.65	+0.03
Belgium	20.6255	20.6237	−0.01	+0.01	20.6274	3.66	+0.04
France	3.35386	3.352	−0.06	−0.04	3.3516	3.59	−0.03
Finland	3.04001	3.0398	−0.01	−0.03	3.0407	3.68	+0.06
Ireland	0.402676	0.3975	−1.29	−1.39	0.4017	5.86	+2.24
Italy	990.002	985.7834	−0.43	−0.50	990.3526	4.6	+0.98
Luxembourg	20.6255	20.6237	−0.01	+0.01	20.6274	3.66	+0.04
Netherlands	1.12674	1.1273	+0.05	+0.05	1.1269	3.54	−0.08
Portugal	102.505	102.2934	−0.21	−0.14	102.5492	4.15	+0.53
Spain	85.0722	84.8787	−0.23	−0.24	85.1206	4.22	+0.60
Germany	1		+0.00	+0.00		3.62	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3, forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates. Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98; DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA interbank fixings.

BONDS

Bond yield curve

Per cent (July 10 1998)



Source: Interactive Data/FT Information

EUROZONE CORPORATE BONDS

GOVERNMENT BOND SPREADS vs ECU

EUROZONE CREDIT SPREADS vs ECU

OTHER INDICES

FTSE EUROTOP 300

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov	Mkt cap£m	Last xd	City line
Allied Domecq	†M	590xd	-4.2	Q24.73	1.7	5,742	11.5	1550
Bulmer (HP)		350	0.6	15.8	ф	184.8	12.1	3305
Burn Stewart	†	14	-3.4	1.7	–	8.30	27.10	1616
Diageo		[illegible]	6.9	18.0	1.3	27,480	30.3	2791
Glenmorangie A		880	–	14.2	3.9	119.7	22.12	3257
B		845	-0	7.1	3.0	37.8	22.12	3258
Highland	†	287	-2.3	9.8	2.4	375.4	5.5	2890
5¼pc Cv Sb Bd		98	–	Q5¼%	–	48.0	5.1	2822
Kirin Y		[illegible]	-4.5	[illegible]	–	5,648	25.12	1118
Matthew Clark		202½	12.5	13.0	2.8	179.2	29.12	2153
Merrydown		43½	–	–	–	11.5	21.7	3352
Seagram C$		[illegible]	-6	Q66c	–	8,581	26.5	–

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Continued

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

HOUSEHOLD GOODS & TEXT - Continued

[illegible]

INSURANCE

[illegible]

INSURANCE - Continued

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Continued

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Continued

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Continued

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Continued

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
FTSE 100 TRAINS		[illegible]	–	–	–	–	24.11	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE Index constituents and reserves, last trade prices at or prior to market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS").

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £3495 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: ALSTOM, Emess (EMEE), JCI Gold (Extin), Edinburgh W'wide, INVESCO Cont'l Smlr Cos (InTr), Delancey Est Wts (Prop), New Look (Retlsr), JWE Telecom (Tel). Deletions: Echlin (Americans), JCI Ltd (Extin), Dunedin W'wide (InTr), Argos (Retlsr), Birmingham City (AIM).

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FT Company Focus / Focus Plus

[illegible]

FT Cityline

[illegible]

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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

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Bank Von Ernst & Cie AG

GT Global

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

The Dragon Fund Sicav

Dresdner RCM European Bond Fund

Egypt Trust

Emerging Markets Brewery Fund SICAV

The European Asset Value Fund

Merrill Lynch Asset Management - Contd.

UBS AG - Contd.

Generali International Limited

Hansard Europe Limited

[illegible]

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

[illegible]

OFFSHORE INSURANCES

[illegible]

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[illegible]

OTHER OFFSHORE FUNDS

[illegible]

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 10 / Sch)

BELGIUM/LUXEMBOURG (Jul 10 / Frs.)

CZECH REP (Jul 10 / Koruna)

DENMARK (Jul 10 / Kr)

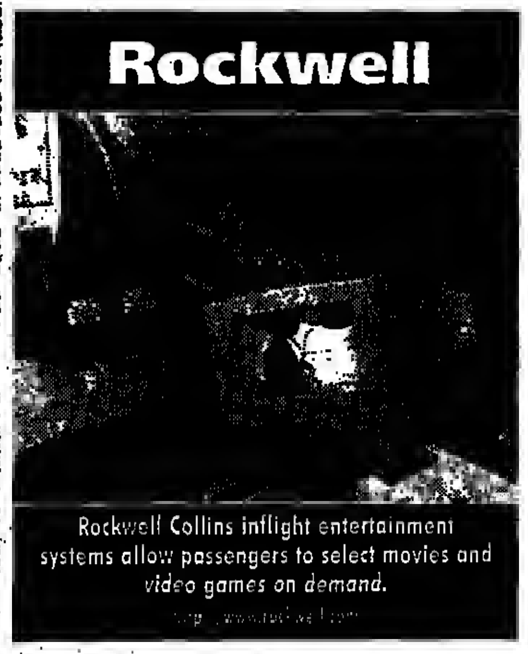
FINLAND (Jul 10 / Mka)

FRANCE (Jul 10 / Frs.)

GERMANY (Jul 10 / Dm.)

GREECE (Jul 10 / Drachma)

ITALY (Jul 10 / Lira)



POLAND (Jul 10 / Zloty)

		+/-	High	Low	Yld	P/E
Bddtwy.	68	—	70.50	38.70	2.0	7.7
Elktrm	51xd	-.50	64.50	28	0.4	65.4
Exbud	42	-1	49	28.40	—	24.6
Mostal	24.20	-.60	34.10	18.20	—	10.6
WBK	27.60	-1	38.00	17.00	1.3	10.5
Wlczak	33	-10	29.50	12.70	3.4	4.6
Zywiec	432xd	-18	495	214	0.6	—

PORTUGAL (Jul 10 / Escudo)

SPAIN (Jul 10 / Pts.)

NETHERLANDS (Jul 10 / Fls.)

NORWAY (Jul 10 / Kroner)

SWEDEN (Jul 10 / Kronor)

SWITZERLAND (Jul 10 / Frs.)

TURKEY (Jul 10 / TkLira)

PACIFIC

JAPAN (Jul 10 / Yen)

HONG KONG (Jul 10 / H.K.$)

INDONESIA (Jul 10 / Rupiah)

MALAYSIA (Jul 10 / MYR)

NEW ZEALAND (Jul 10 / NZ $)

SINGAPORE (Jul 10 / S$)

SOUTH KOREA (Jul 10 / Won)

TAIWAN (Jul 10 / TW $)

THAILAND (Jul 10 / Baht)

AUSTRALIA (Jul 10 / Aust$)

MONTREAL (Jul 10 / Can $)
4 pm close

MEXICO (Jul 10 / Peso)
12.30 pm

AFRICA

SOUTH AFRICA (Jul 10 / Rand)

AMERICAS

CANADA

TORONTO (Jul 10 / Can $)
4 pm close

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JULY 10 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY JULY 9 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	194.72	-1.1	176.85	173.52	184.07	210.68	-1.5	3.76	197.00	179.15	175.91	187.34	213.90	240.60	173.27	236.14
Austria (23)	231.45	-0.2	210.21	208.25	218.80	218.83	-0.8	1.55	231.92	210.91	207.10	220.55	220.39	253.73	181.60	201.28
Belgium (22)	378.31	0.1	343.59	337.12	357.62	349.88	-0.5	1.98	377.83	343.61	337.40	359.31	351.40	379.59	234.33	257.31
Brazil (26)	224.58	-0.1	203.97	200.12	212.29	479.85	-0.2	2.13	224.85	204.48	200.79	213.83	480.72	322.44	184.94	322.44
Canada (120)	232.75	-0.6	211.39	207.40	220.02	249.13	-0.3	1.63	234.22	213.00	209.15	222.74	249.87	248.78	199.10	215.82
Denmark (34)	513.87	0.2	466.71	457.92	485.77	483.91	-0.5	1.34	512.71	466.27	457.84	487.58	486.19	521.81	376.32	406.37
Finland (28)	459.16	-0.7	417.02	409.16	434.04	532.82	-1.3	1.72	462.21	420.34	412.75	439.45	539.39	467.28	267.59	301.43
France (78)	328.39	-0.9	298.25	292.63	310.43	313.97	-1.5	1.88	331.44	301.42	295.97	315.19	318.76	335.75	217.40	234.91
Germany (58)	309.89	0.6	281.45	276.15	292.94	292.94	0.0	1.14	307.96	280.08	275.00	292.86	292.86	309.91	204.89	226.52
Greece (37)	307.44	0.5	279.23	273.97	290.63	666.21	-0.4	1.41	305.99	278.28	273.25	290.99	668.91	307.94	260.24	—
Hong Kong, China (66)	240.42	-2.3	218.35	214.24	227.27	239.19	-2.3	6.55	246.11	223.81	219.77	234.04	244.86	580.03	213.78	518.00
Indonesia (27)	29.75	-2.4	27.02	26.51	28.13	279.27	-2.8	2.42	30.47	27.71	27.21	28.97	287.38	247.82	23.58	247.82
Ireland (16)	547.28	0.1	497.05	487.69	517.34	557.30	-0.5	1.74	546.84	497.30	488.31	520.03	560.09	560.44	359.60	389.05
Italy (54)	169.97	0.5	154.37	151.46	160.67	227.53	-0.2	1.30	169.44	154.09	151.31	161.13	228.11	177.15	95.46	99.04
Japan (480)	91.54	-1.8	83.14	81.57	86.53	81.57	-1.8	0.97	92.96	84.56	83.03	88.42	89.03	138.03	89.04	138.11
Malaysia (106)	108.37	-4.2	98.42	96.57	102.44	177.81	-3.8	3.54	113.10	102.85	100.99	107.56	184.90	485.65	108.37	483.33
Mexico (29)	1449.37	0.6	1316.36	1291.56	1370.10	14193.02	0.8	1.94	1440.51	1310.02	1288.35	1369.89	14078.35	1901.98	1278.19	1736.93
Netherlands (20)	525.78	0.0	477.53	468.53	497.02	491.87	-0.6	1.91	528.00	478.35	469.71	500.21	495.05	532.74	385.66	421.20
New Zealand (14)	62.38	-1.7	56.66	55.59	58.97	84.40	-1.8	4.73	63.48	57.73	58.89	60.37	85.64	95.87	56.33	94.63
Norway (38)	304.41	1.0	276.46	271.27	287.76	318.70	0.3	1.96	301.31	274.01	269.06	286.54	317.25	374.64	281.82	321.93
Philippines (22)	74.58	-1.4	67.74	66.48	70.50	155.74	-1.6	1.10	75.62	68.77	67.53	71.91	158.28	153.54	57.54	148.86
Portugal (17)	283.74	0.8	257.70	252.85	268.22	361.23	0.0	0.97	281.99	256.45	251.81	268.17	361.09	299.39	261.25	--
Singapore (42)	145.27	-2.3	131.94	129.46	137.39	115.58	-1.8	2.62	148.63	135.17	132.72	141.34	117.84	390.51	133.81	388.40
South Africa (40)	214.58	-2.7	194.88	191.21	202.84	301.80	-0.5	2.98	220.53	200.55	196.93	209.71	303.10	361.55	213.50	355.25
Spain (31)	388.64	0.7	362.06	355.23	376.84	466.09	0.1	1.63	396.04	360.16	353.68	376.82	465.65	401.61	236.28	271.50
Sweden (49)	597.64	-0.4	542.80	532.57	564.96	713.77	-0.8	1.84	600.14	545.78	535.92	570.72	719.59	615.21	438.98	504.13
Switzerland (28)	418.38	0.1	379.98	372.83	395.50	398.59	-0.2	1.04	418.09	380.21	373.34	397.59	399.40	422.71	285.85	326.03
Thailand (38)	13.14	-2.5	11.94	11.71	12.42	21.40	-2.5	12.44	13.49	12.26	12.04	12.82	21.98	65.78	11.86	63.67
United Kingdom (203)	379.72	-0.5	344.87	338.37	358.95	344.87	-0.6	2.89	381.65	347.07	340.80	362.93	347.07	401.84	303.41	315.04
USA (625)	476.74	0.5	432.99	424.83	450.66	478.74	0.5	1.35	474.51	431.53	423.73	451.25	474.51	477.47	358.91	370.07
Americas (804)	428.97	0.4	389.61	382.27	405.51	363.02	0.4	1.38	427.16	388.49	381.47	406.24	361.45	429.78	328.79	339.27
Europe (737)	368.30	-0.1	332.68	326.41	348.26	352.22	-0.5	1.93	366.81	333.58	327.55	348.82	354.15	370.05	265.25	280.31
Eurobloc (348)	108.97	0.0	109.10	113.34	109.92	108.33	-0.5	1.56	106.98	109.28	113.53	109.92	109.93	107.76	88.54	–
Nordic (149)	525.07	-0.2	476.88	467.90	496.35	546.56	-0.8	1.63	526.40	478.72	470.07	500.59	550.73	536.56	368.51	428.70
Pacific Basin (867)	97.23	-1.6	88.31	86.65	91.91	88.95	-1.8	1.72	98.83	89.88	88.26	93.98	88.55	155.40	88.45	153.77
Euro-Pacific (1604)	209.38	-0.5	190.10	186.58	197.93	187.10	-0.8	1.87	210.52	191.45	187.99	200.20	188.78	216.04	172.03	206.60
North America (749)	460.80	0.4	418.51	410.63	435.60	461.29	0.4	1.37	458.86	417.29	409.75	436.36	459.29	461.66	349.06	360.55
Europe Ex. UK (534)	348.58	0.0	314.77	308.84	327.62	344.66	-0.5	1.49	346.47	315.06	309.39	329.48	346.40	349.27	236.79	254.75
Europe Ex. Eurobloc (389)	99.02	-0.3	101.06	104.92	101.19	101.49	-0.5	2.32	99.35	101.53	105.48	102.13	102.04	100.97	94.53	–
Europe Ex. UK Ex. Eurobloc (186)	103.94	0.0	106.09	110.13	106.22	167.42	-0.4	1.27	103.94	106.23	110.36	106.86	107.82	104.88	95.88	–
Pacific Ex. Japan (387)	156.05	-1.8	141.73	139.06	147.51	164.04	-2.0	4.75	159.86	144.87	142.08	151.28	167.42	316.59	142.98	307.38
World Ex. Eurobloc (2100)	100.43	0.0	91.22	89.50	94.94	102.05	-0.1	1.61	100.47	91.87	89.72	95.54	102.73	101.30	93.25	--
World Ex. US (1819)	211.49	-0.8	192.09	188.47	199.93	193.49	-0.8	1.86	212.67	193.41	189.91	202.25	195.12	220.18	175.30	210.67
World Ex. UK (2245)	289.19	0.0	262.65	257.70	273.37	288.35	-0.1	1.46	289.08	262.90	258.15	274.91	268.62	291.38	224.24	258.27
World Ex. Japan (1968)	398.84	0.1	362.94	355.41	377.02	395.80	0.0	1.57	399.27	362.19	356.65	378.74	395.73	401.21	309.33	325.49
The World Index (2448)	296.94	0.0	269.69	264.61	280.70	276.40	-0.1	1.80	297.00	270.09	265.21	282.44	275.83	288.43	241.30	261.34

Emerging markets

IFC investable indices

Dollar terms

NEW YORK STOCK EXCHANGE PRICES

4 pm close July 10

[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
§ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jul 10	Jul 9	Jul 8	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9105.74	9089.78	9174.97	9211.84 (13/5)	7580.42 (9/1)	9211.84 (13/5/98)	41.22 (8/7/32)
Home Bonds	105.31	105.13	105.19	105.48 (15/1)	104.42 (11/5)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3557.96	3575.80	3568.12	3686.02 (16/4)	3194.36 (9/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	291.11	290.72	292.85	295.48 (8/7)	262.65 (9/1)	295.48 (8/7/98)	10.50 (8/7/32)

DJ Ind. Day's high 9136.89 (9174.97) Low 9029.70 (9065.61) (Theoretical) Day's high 9194.02 (9217.07) Low 8976.23 (9014.30) (Actual)

Standard and Poors	Jul 10	Jul 9	Jul 8	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1164.33	1158.56	1166.38	1166.37 (8/7)	927.69 (9/1)	1166.37 (8/7/98)	4.40 (1/6/32)
Industrials♥	1348.24	1343.78	1352.28	1352.22 (8/7)	1077.40 (9/1)	1352.22 (8/7/98)	3.52 (30/6/32)
Financial♥	145.80	144.39	145.72	145.81 (8/7)	110.65 (9/1)	145.81 (8/7/98)	7.13 (4/3/74)
Others							
NYSE Comp.	592.18	590.23	594.35	594.35 (8/7)	487.47 (9/1)	594.25 (8/7/98)	4.64 (25/4/42)
Amex Comp.	730.86	727.91	728.55	753.87 (22/4)	646.41 (12/1)	763.87 (22/4/98)	324.20 (16/7/96)
NASDAQ Comp	1943.04	1939.82†	1935.39	1943.04 (10/7)	1503.22 (9/1)	1943.04 (10/7/98)	54.87 (3/10/74)
Russell 2000	458.43	460.00	459.07	491.41 (21/4)	410.89 (12/1)	491.41 (21/4/98)	123.36 (7/12/93)

RATIOS

	Jun 26	Jun 19	Jun 12	Year ago
Dow Jones Ind. Div. Yield	1.60	1.64	1.61	1.67

	Jul 8	Jul 1	Jun 24	Year ago
S & P Ind. Div. yield	1.28	1.27	1.28	1.55
S & P Ind. P/E ratio	32.41	32.08	31.73	24.91

US DATA

MARKET ACTIVITY

Volume (million)	Jul 10	Jul 9	Jul 8
NYSE	578.436	659.065	667.230
Amex	25.018	23.151	24.441
NASDAQ	713.059	849.505	849.259

NYSE TRADING ACTIVITY

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Compaq	14,025,000	31¼	+⅛
Disney	9,988,200	38¾	+1⅛
Pfizer	7,073,700	119	+2⅝
PhMorr	6,708,900	40¼	+⅜
MicroTech	5,371,700	28¾	+⅞
DelPost	8,216,800	87⅞	−2⅛
Kmart	4,730,300	17⅛	−⅜
GenElec	4,512,300	93⅞	−⅛
Tandy	4,139,800	69	+⅜
SmuDep	3,941,400	48¼	+1⅛

NASDAQ TRADING ACTIVITY

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Egghead	28,785,100	21⅞	+4⅛
DellComp	14,456,300	105⅞	+⅞
Intel	14,280,500	79⅛	
Micsft	11,242,400	113¼	+2¼

Dow Jones

FTSE Eurotop 300

JAPAN

	Jul 10	Jul 9	Jul 8	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	16090.06	16446.98	16530.97	17264.34	14664.44	38915.9	85.25

Day's high: 16531.47, Day's low: 16066.03.

TOKYO TRADING ACTIVITY — Volume: 587,000,000

FRANCE

	Jul 10	Jul 9	Jul 8	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	4256.35	4316.18	4338.91	4338.91	2862.54	4338.91	984.61

Day's high: 4298.65, Day's low: 4237.82.

PARIS TRADING ACTIVITY — Volume: 373,805,210

GERMANY

	Jul 10	Jul 9	Jul 8	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	5982.42	5986.77	6013.14	6013.14	4067.20	6013.14	931.18

Day's high: 6022.58, Day's low: 5912.80.

FRANKFURT TRADING ACTIVITY

UK

	Jul 10	Jul 9	Jul 8	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5929.7	5968.7	6008.5	6105.80	5068.80	6105.8	986.9

Day's high: 5998.7, Day's low: 5915.5.

LONDON TRADING ACTIVITY

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	1167.90	1172.70	+5.20	1177.20	1159.50	94,783	347,198
Dec	1182.00	1186.20	+6.00	1190.00	1172.30	177	14,137

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	16400.0	16050.0	−3700	16540.0	16000.0	50,834	218,375
Dec	16350.0	15990.0	−360	16470.0	15950.0	3,100	13,811

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jul	4304.0	4247.5	−100.5	4367.0	4240.0	53,694	160,473
Sep	4326.0	4270.5	−101.5	4354.0	4271.0	1,118	109,304

DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	5990.0	6033.0	−15.0	6070.0	5958.0	22,812	74,136
Dec	6032.5	6085.9	−21.6	6102.0	6029.0	10	2,259

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jul	800.00	799.50	−7.50	802.00	795.50	11,163	111,825
Aug	803.00	802.00	−6.00	805.00	802.00	1,382	15,478

SOFFEX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jul	8131.0	8170.0	−16.0	8205.0	8082.0	6,089	25,506
Aug	8158.0	8187.0	−29.0	8204.0	8105.8	304	935

WORLD MARKETS AT A GLANCE

Country	Index	Jul 10	Jul 9	Jul 8	1998 High	1998 Low	Yield	P/E
Argentina	General	21092.29	(c)	21078.83	23485.47 23/3	18837.60 3/1	3.25	18
Australia	All Ordinaries	2747.9	2769.9	2774.1	3001.40 16/4	2534.90 16/8	3.18	20.2
	All Mining	598.9	602.1	599.3	713.10 23/4	540.80 16/6		
Austria	Credit Aktien	(u)	(u)	548.4	584.34 26/5	487.44 13/1	1.52	15.9
	ATX Index	1509.48	1524.01	1526.56	1628.56 26/5	1246.80 13/1		
Hungary	Bux	7538.21	7717.18	7785.88	8916.36 23/4	7048.35 28/5	na	na
India	BSE Sens.	3401.74	3331.98	3245.88	4280.96 21/4	3337.34 23/6		
	BSE 200	849.04	833.08	832.43	915.82 21/4	876.17 23/6	na	na
Indonesia	Jakarta Comp.	483.58	470.32	472.98	554.18 2/2	342.97 9/1	1.98	18.7
Portugal	BVL 30	5765.88	5770.88	5770.00	6176.89 22/4	3478.27 2/1	1.74	42.8
	PSI 20	12189.84	13101.06	13180.46	14392.89 22/4	9031.84 2/1		
Russia	RTS	144.02	136.19	134.81	431.81 5/1	134.81 8/7	na	na
Singapore	SES All-S'pore	308.32	309.08	309.19	482.98 19/3	288.04 16/6	2.97	13
	Straits Times	1080.35	1103.85	1107.78	1688.25 19/3	1048.86 15/6		

An early fall on Wall Street brought profit-takers into the market after an eight-day rally.

Broadly lower in sympathy with declines in overseas markets. Woolworths dipped 3.1 per cent with its annual results.

Heavy losses in drugs group Richter and chemicals group Tiszai pulled market down and took week's losses to 3 per cent.

Confidence bolstered by US Senate vote to lift some sanctions on country.

Fell with regional markets. Talk of power struggle in ruling Golkar party and news of workers' strike did not help.

Shares recovered in late trade on renewed demand for banks after early weakness.

Shares sharply higher as hopes grow for IMF credit package to rescue economy and restore confidence in markets.

THE NASDAQ STOCK MARKET

4 pm close July 10

THE NASDAQ STOCK MARKET

AMEX PRICES

4 pm close July 10

EASDAQ

FT GUIDE TO THE WEEK

MONDAY 13

Defence review

The UK House of Commons defence committee today begins an intensive series of hearings on the government's strategic defence review, published last week. Defence ministers and military top brass will be questioned on the review's proposals to create more modern, rapidly deployable forces. The all-party committee, chaired by Bruce George, kicks off by grilling George Robertson, defence secretary, today and General Sir Charles Guthrie, chief of the defence staff, tomorrow. Hearings continue until July 23. The committee will publish a report in early autumn.

Membership talks

Chief negotiators from the five central European EU applicant countries and Cyprus meet for the third time to compare notes on progress in talks with Brussels. All six are keen to speed substantive membership talks. At Ljubljana they plan to agree a common timetable for handing their opening negotiating positions to the Austrian EU presidency. The positions will cover subjects like telecommunications, which have already been screened. The Austrians have said they will press the EU member countries to start talks if these come in by September 15.

Austrian plans

Austria's Wolfgang Schüssel will tell fellow foreign ministers of European Union nations about his country's priorities for its six-month EU presidency, which began last week. At a meeting in Brussels he will outline Austria's plans to progress the "Agenda 2000" package to reform the common agricultural policy and regional aid funds. The start of substantial negotiations with countries seeking EU membership is another aim. Meanwhile in Vienna, officials from the 15 EU countries will begin a two-day conference on EU tax harmonisation, another of Austria's presidential priorities.

Small concerns

A team of Commonwealth ministers representing the interests of small states will be in Geneva for talks with the World Trade Organisation and the United Nations Conference on Trade and Development. The mission, led by prime minister Owen Arthur of Barbados, was established by Commonwealth heads of government last October to ensure better consideration of the needs of small states in international trade and finance arrangements. The team, which also includes ministers from Lesotho, Mauritius, Fiji and New Zealand, has already visited the IMF and World Bank in Washington and goes to the European Commission in Brussels on Tuesday.

Tensions heighten today over the right of Northern Ireland's Orange Order to hold parades through streets mainly occupied by Catholics

General Motors

General Motors' annual two-week summer shutdown ends. The company had been planning to resume production of 1999 models but that could be hit by the continuation of a one-month long strike by the United Auto Workers union at two parts plants in Flint, Michigan.

Rights review

The United Nations Human Rights Committee meets in Geneva for three weeks to examine compliance with the International Covenant on Civil and Political Rights. Six countries – Ecuador, Israel, Italy, Algeria, Macedonia and Tanzania – are due for review. The 1966 covenant, which has 140 states parties, upholds the right to life and liberty, prohibits torture and other degrading treatment, and safeguards freedom of thought, conscience and religion.

Holidays

France, Montenegro.

TUESDAY 14

UK budget plans

Gordon Brown, chancellor of the exchequer, unveils the results of the UK government's comprehensive spending review, which will fix budgets for all government departments for the next three years. Last month he announced total public spending would grow by up to 2¾ per cent in real terms from 1999 to 2002. Health and education are expected to get the lion's share of the extra money to help them meet the government's election pledges. Transport, the Home Office and government science funding are also likely to see increases. The government has already announced lower than expected defence cuts.

Bilateral summit

A two-day Italian-Spanish bilateral summit gets under way in La Granja, Segovia.

FT Survey

Japan.

Holiday

France.

WEDNESDAY 15

European Parliament

Wim Duisenberg, head of the European Central Bank, will take part in a debate on the work of the European Monetary Institute and progress towards economic and monetary union at the last session of the European Parliament in Strasbourg before the summer recess. Earlier in the week-long session, MEPs will consider common EU immigration rules, updated laws on food additives, moves to boost the clothing industry and improve conditions for farm animals transported between EU countries, and debate the dangers posed by the growth of religious fundamentalism. Also on the agenda is a plan for proportional representation in electing MEPs and, more controversially, a suggestion that 10 per cent of MEPs be elected from a single EU-wide constituency.

WTO head hunt

The Geneva-based World Trade Organisation launches its search for a new director-general to succeed Renato Ruggiero of Italy, who retires next April. Nominations open today and close on October 1, with an end-year target date for the final selection. The next WTO chief is not supposed to be a European but otherwise the field is wide open. Names being circulated unofficially include Mike Moore, former New Zealand prime minister, Roy MacLaren, former Canadian trade minister, Supachai Panitchpakdi, deputy prime minister of Thailand, and Hassan Abouyoub, former trade minister of Morocco.

Investment view

Top officials from Asian nations meet in New Delhi to discuss international investment arrangements and their implications for developing countries. The two-day symposium, one of a series organised by the United Nations Conference on Trade and Development (Unctad), aims to prepare the ground for effective participation by poorer nations in multilateral talks on investment rules. The European Union, in particular, is keen for investment talks to start in the World Trade Organisation in 2000.

OECD seminar

The Organisation for Economic Co-operation and Development holds a seminar on bribery and corrupt business practices in Paris (To July 17).

THURSDAY 16

IT tariff talks

Negotiators meet at the World Trade Organisation in Geneva to try again for a pact on eliminating tariffs on certain information technology products. The 44 members of the WTO's information technology agreement missed their self-imposed June 30 deadline but hope to reach agreement during this two-day meeting. IT Association members signed up last year to a pact scrapping tariffs by 2000 on a wide range of computer and telecoms goods, which they now want to extend. Sticking points are the new phase-out timetable and whether consumer electronics should be included.

India nuclear meeting

Senior envoys from the US and India are due to meet in Frankfurt to discuss the possibility of India joining a global nuclear test ban pact.

FT Survey

Reporting Britain.

FRIDAY 17

EU budget fears

European Union ministers meet in Brussels to discuss the EU's budget amid fears by non-governmental organisations that they will lose grants. The European Court of Justice recently questioned the basis on which aid for some social projects was paid out and effectively increased the ability of EU member states to halt projects favoured by the European Parliament and the European Commission. The Commission has been reviewing a range of "budget lines" thought to be worth collectively more than Ecu 500m a year.

Tsar laid to rest

The burial of the remains of Russia's last tsar Nicholas II, empress Alexandra, their children and several servants takes place in St Petersburg 80 years after they were murdered by the Bolsheviks at Yekaterinburg. The remains will be placed in the Peter and Paul cathedral, resting place of Russian emperors since 1725.

Wild dancing

The annual World Lion Dance Championship is held at Genting, Malaysia (To July 19).

Inkatha congress

South Africa's opposition Inkatha Freedom Party holds its annual congress at Ulundi – its last big gathering before 1999 elections (To July 19).

FT Survey

Derivatives.

Holiday

South Korea.

SATURDAY 18

Peace progress

UN secretary general Kofi Annan visits Guatemala to evaluate the peace process a year and a half after UN-brokered peace talks ended a 36-year guerrilla conflict; Annan will interview President Alvaro Arzu and the full cabinet will present a report on the advances in the peace process (To July 20).

Tirana talks

International donors hold a conference in Tirana to review the results of their aid to Albania.

Rugby Union

Australia take on South Africa in the Tri-nations at Perth.

FT Survey

Quarterly Review of Personal Finance (UK editions only).

SUNDAY 19

Tall ships sail

The 1998 Cutty Sark Tall Ships Race gets under way from Falmouth, Cornwall.

Diplomatic voyage

Two British navy ships dock at the Syrian port of Latakia for the first such visit in 48 years.

Motor cycling

The German round of the 125cc, 250cc and 500cc championships take place at the Sachsenring.

Compiled by Roger Beale
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ECONOMIC DIARY

Other economic news

Monday: Japanese machinery orders are thought to have rebounded in May after April's big drop. UK raw material prices are thought to have dropped in June, with output price inflation also a shade lower. Higher wages should have pushed up German retail sales in May.
Tuesday: The annual rates of US consumer price inflation are thought to have risen slightly in June, reflecting higher housing and medical costs. Vehicle purchases are also thought to have pushed up US retail sales.
Wednesday: Japan's merchandise trade surplus is forecast to have risen again in June, reflecting weak demand for imports. UK retail price inflation should have fallen in June. Unemployment in the UK is expected to have resumed its fall in June, following May's small increase. Average earnings growth in the UK is thought to have been unchanged in April.
Thursday: Strikes at GM are thought to have depressed US industrial production last month, with capacity utilisation falling as well.
Friday: The US balance of payments deficit is forecast to have widened again in May.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	May machinery orders ex elec'/ships**		-17.8%
July 13	Japan	May machinery orders ex elec'/ships		-16.8%
	UK	June producer price index input*	-1.0%	0.3%
	UK	June producer price index input**	-9.0%	-8.8%
	UK	June producer price index output*	-0.2%	0.1%
	UK	June producer price index output**	0.8%	0.9%
	UK	June prod pri idx ex food/drink/tob**	0.0%	0.0%
	UK	June British Retail Consortium survey		3.7%
Tues	UK	June retail price index*	0.1%	0.6%
July 14	UK	June retail price index**	3.9%	4.2%
	UK	June retail price indx ex mortgages**	3.0%	3.2%
	US	June consumer price index	0.2%	0.3%
	US	June cons' price indx ex food/energy	0.2%	0.2%
	US	June retail sales	0.4%	0.9%
	US	June retail sales ex auto	0.2%	0.4%
	US	June Atlanta Fed index		18.6
	US	BTM-Schroders July 11		0.3%
	US	Real earnings		0.6%
Weds	Japan	May industrial production†		-2.0%
July 15	Japan	May shipments†		0.2%
	Italy	May industrial production*†	0.8%	-0.2%
	UK	June unemployment	-5.0k	1.7k
	UK	Apr average earnings	5.2%	5.2%
	UK	May unit wages three months'*	6.1%	6.4%
	US	May business inventories	0.3%	0.2%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	Canada	May manufacturing new orders	0.5%	-0.3%
	Canada	May manufacturing shipments*	0.6%	-0.6%
	US	June export price index		0.1%
	US	June import price index		-0.1%
	Japan	June broad liquidity**		2.8%
Thurs	UK	June public sector borrowing req'ment	£4.0bn	£2.5bn
July 16	Canada	June cons' price index all items nsa†	0.1%	0.4%
	US	Initial claims July 11	369k	392k
	US	State benefits July 4		2411k
	US	June industrial production	-0.3%	0.5%
	US	June capacity utilisation	81.7%	82.2%
	US	July Philadelphia Fed index	15.0	28.2
Fri	Germany	May trade balance	DM12.0bn	DM11.4bn
July 17	Germany	May current account	DM0.0bn	DM2.4bn
	US	May trade: goods and services	-$14.5bn	-$14.5bn
	US	May goods/services export (bal of pay)	$77.5bn	$77.1bn
	US	May goods/services import (bal of pay)	$92.0bn	$91.6bn
	US	July Michigan Sentiment preliminary**	105.5	105.6
During the week...				
	Japan	May current account (IMF) nsa†	Y1.32tn	Y869bn
	Japan	May trade balance (IMF) nsa†		Y912bn
	Japan	May foreign bond investment		Y2.8tn
	Germany	June wholesale price index*	-0.2%	-0.4%
	Japan	June trade bal' (customs cleared) nsa†		Y859bn

*month on month, **year on year, †seasonally adjusted. *Statistics, courtesy Standard & Poor's MMS.*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Proforma Prices for Trading on 12.07.98 / Real Prices for Trading on 13.07.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	9.42	12.16	11.18	1.35
0100	9.36	12.10	11.16	1.35
0130	9.36	12.16	11.16	1.35
0200	9.36	12.16	11.16	1.36
0230	9.36	12.16	11.16	1.36
0300	9.36	9.39	9.36	0.00
0330	9.36	9.36	9.39	0.00
0400	9.36	9.39	9.39	0.00
0430	9.35	9.35	9.35	0.00
0500	9.33	9.33	9.33	0.00
0530	7.00	9.48	9.49	0.00
0600	7.00	9.44	9.44	0.00
0630	9.36	9.36	9.59	0.00
0700	9.49	9.62	9.62	0.00
0730	15.24	10.71	10.71	0.00
0800	15.71	23.34	26.66	1.35
0830	19.36	28.79	30.47	1.35
0900	22.36	39.39	43.48	1.35
0930	43.94	54.00	60.33	1.35
1000	35.89	61.50	69.62	1.36
1030	36.07	61.20	70.62	1.35
1100	41.33	62.33	72.14	1.35
1130	49.33	69.09	80.33	1.35
1200	57.68	66.96	100.23	1.35
1230	65.90	99.45	112.78	1.35
1300	60.53	87.71	103.92	1.35
1330	42.83	57.18	66.57	1.35
1400	32.07	49.15	55.80	1.36
1430	29.09	45.02	50.63	1.35
1500	26.45	43.23	48.38	1.35
1530	25.96	43.69	48.14	1.36
1600	27.97	48.95	55.69	1.35
1630	34.33	61.77	70.71	1.35
1700	47.75	68.58	78.12	1.35
1730	44.08	58.41	65.84	1.35
1800	31.05	42.74	46.73	1.36
1830	19.08	27.18	27.05	1.35
1900	17.09	21.27	20.73	1.35
1930	18.01	23.73	22.85	1.35
2000	20.91	23.60	22.53	1.35
2030	9.83	9.87	9.87	0.00
2100	9.48	9.39	9.59	0.00
2130	20.59	18.92	17.93	1.36
2200	22.33	24.88	29.00	1.36
2230	27.64	31.36	30.88	1.35
2300	22.32	31.87	30.87	1.35
2330	17.09	18.51	17.90	1.36
2400	15.22	13.66	12.67	1.35

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.89/MWh becomes 1.889p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Proforma Prices for Trading on 13.07.98 / Real Prices for Trading on 14.07.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	8.00	11.89	11.94	1.09
0100	9.42	11.24	11.29	1.09
0130	9.37	11.41	11.46	1.09
0200	9.36	11.39	11.44	1.09
0230	9.36	11.39	11.44	1.09
0300	9.36	11.39	11.44	1.09
0330	9.33	11.39	11.44	1.05
0400	9.36	11.39	11.44	1.09
0430	9.36	11.39	11.44	1.09
0500	9.36	11.39	11.44	1.09
0530	9.32	9.33	9.33	0.00
0600	9.32	9.33	9.33	0.00
0630	9.35	11.61	11.66	1.09
0700	9.33	11.61	11.36	1.09
0730	9.33	11.61	11.36	1.09
0800	9.36	11.61	11.66	1.09
0830	9.63	11.37	11.42	1.09
0900	9.45	12.16	12.21	1.09
0930	13.63	12.18	12.21	1.09
1000	13.70	13.63	13.68	1.09
1030	13.70	14.00	14.05	1.09
1100	16.03	16.18	16.23	1.09
1130	16.38	17.43	17.48	1.09
1200	19.61	21.37	21.42	1.09
1230	17.09	32.68	32.73	1.09
1300	19.61	32.68	32.73	1.09
1330	19.61	21.37	21.42	1.09
1400	16.65	16.18	16.23	1.09
1430	16.38	16.16	16.23	1.09
1500	14.59	15.98	16.03	1.09
1530	13.70	14.78	14.83	1.09
1600	13.70	13.63	13.68	1.09
1630	13.70	13.63	13.68	1.09
1700	13.70	14.78	14.83	1.09
1730	14.59	14.78	14.83	1.09
1800	13.18	14.78	14.33	1.09
1830	15.16	17.00	17.05	1.09
1900	17.00	17.09	17.05	1.09
1930	17.09	14.79	14.84	1.09
2000	17.00	14.79	14.84	1.09
2030	13.70	13.63	13.63	1.09
2100	13.70	13.63	13.63	1.09
2130	13.70	17.00	17.05	1.09
2200	15.18	17.82	17.87	1.09
2230	15.18	17.82	17.87	1.09
2300	14.69	17.82	17.87	1.09
2330	13.63	13.63	13.68	1.09
2400	3.63	12.16	12.21	1.09

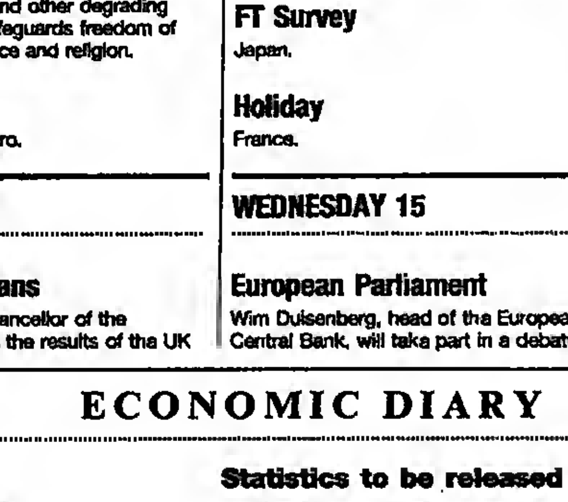
Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.89/MWh becomes 1.889p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading [illegible]

MONDAY PRIZE CROSSWORD

No.9,732 Set by DANTE

ACROSS
1 This young woman's rejection makes a man angry (6)
4 Several horses right to take for a ride outside (6)
8 What one thinks of love taking wing? (7)
9 Celebrations it's safe to arrange (7)
11 Christian virtue fills a need, somehow (4-6)
12 This oven has a ring outside for roasting (4)
13 US spies capture the Spanish girl (5)
14 Form of seafood not put out on board (8)
16 A bloomer – a miserable danger! (8)
18 Unfinished book shelf (5)
20 She takes me back to mother (4)
21 People responsible for the upkeep of the neighbourhood (3,7)
23 Man about town? (7)
24 See jazz group going round Asian capital (7)
25 Hemingway and Sterne novel (6)
26 Worst cry of pain to give (6)

DOWN
1 Public relations entertained by outstanding female cellist (2,3)
2 Wary, I'm raising new fund with a pound (7)
3 No longer an individual to esteem, that's clear (9)
5 Hearing noisy neighbour could be one (5)
6 Trendy goods need not be ordered, presumably (2,5)
7 Old statesman happy to put on weight (9)
10 Dissipated period died out (9)
13 Harlequin's favourite flower (9)
15 Musketeer's call for a non-share policy? (3,3,3)
17 Visa arranged in time for escape (7)
18 Poor side away from home fails to survive (4,3)
21 Checked garments for Scottish soldiers (5)
22 The Spanish weapon that makes army manoeuvres possible (5)



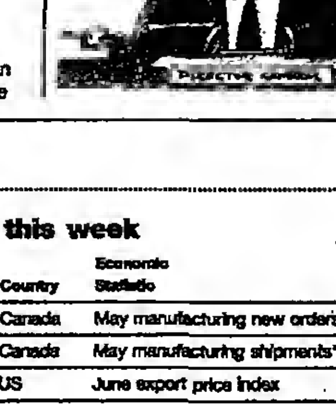
Winner of Puzzle No.9,720: B. Cole, Amersham, Bucks.

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday July 23, marked Monday Crossword 9,732 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday July 27. Please allow 28 days for delivery of prizes.

Name..

Address..

Solution 9,720



JOTTER PAD